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Have Decentralisation and Democratisation been Effective in Promoting an Inclusive Social Protection System in Indonesia?
A Comparative Case Study of the Implementation of Social Protection Programmes in Central Java

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King's College London

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**HAVE DECENTRALISATION AND DEMOCRATISATION BEEN EFFECTIVE IN PROMOTING AN
INCLUSIVE SOCIAL PROTECTION SYSTEM IN INDONESIA? A COMPARATIVE CASE STUDY OF THE
IMPLEMENTATION OF SOCIAL PROTECTION PROGRAMMES IN CENTRAL JAVA**

Dharendra Wardhana

A thesis submitted to King's College London for the degree of
Doctor of Philosophy in Development Studies with reference to Emerging Economies

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Abstract

Decentralisation, democratisation, and social protection (SP) are widely regarded as three important endeavours that developing countries ought to pursue. Research has, however, neglected the relationship between these three. An exploration of this interplay is important given that efforts by decentralised governments to expand SP are often unaccompanied by sufficient resources. In the Indonesian context, most local governments struggle to maintain the viability of SP while attempting to garner electoral votes with various entitlement programmes. This thesis addresses this gap in the literature.

The thesis asks **what mechanisms of decentralisation and democratisation have supported SP effectively**. The study uses a mixed method approach and finds the quantitative results to be consistent with the qualitative findings. The finding suggests that being strategically responsive to the needs of the public, local governments tend to expand their SP programmes. The thesis is comprised of three parts. The first concerns the conceptualisation of theoretical and methodological frameworks, underpinned by theories and assumptions in the literature. In the second part, one framework has been utilised to explore the secondary quantitative data sets obtained from the World Bank's INDO-DAPOER repository and series of annual household surveys (*Susenas*). These two are followed by an in-depth qualitative exploration of case studies in two selected districts, specifically, Surakarta and Sragen.

The thesis contributes to knowledge about SP programmes in democratic settings and their effectiveness in poverty and vulnerability reduction. The findings of the thesis highlight the factors that mediate the development of SP at the implementation level.

The study concludes that current fiscal arrangements are susceptible to the fluctuations generated by budget cycles related to elections. The case studies in this thesis corroborate the argument that although the expansion of SP is an important way to reduce poverty and vulnerability, it does not necessarily ensure success in local elections.

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Glossary

ABRI	<i>Angkatan Bersenjata Republik Indonesia</i> , the Armed Forces of the Republic of Indonesia; became TNI in 1999
AFC	Asian Financial Crisis
APBD	<i>Anggaran Penerimaan dan Belanja Daerah</i> , local government budget
APBN	<i>Anggaran Penerimaan dan Belanja Negara</i> , national government budget
<i>arisan</i>	Rotating saving credit association
Asabri	Agency that handles health insurance and pension for military personnel
Askes	Agency that handles health insurance for civil service, now defuncts and transforms to BPJS Kesehatan
Askeskin	Social health care programme for the poor, later became Jamkesmas
<i>bapak</i>	Salutation for adult male (Sir or Mr.)
Bappenas	National Development Planning Agency
Bappeda	Regional Development Planning Agency
BBM	<i>Bahan Bakar Minyak</i> , hydrocarbon fuel
beneficiaries	Recipients of social assistance programmes
Berkeley Mafia	Technocrats, mainly graduated from University of California at Berkeley, that teamed up in bureaucracy during Suharto's era to shape the economic policy
BLT	<i>Bantuan Langsung Tunai</i> , unconditional cash transfer
<i>Bolsa Escola</i>	Cash transfer programme in Brazil, its beneficiary subject to fulfil school attendance. Later became <i>Bolsa Familia</i>
<i>Bolsa Familia</i>	Cash transfer programme in Brazil, its beneficiary subject to fulfil school and health clinic attendance
BOS	Bantuan Operasional Sekolah, School Operational Assistance. Block grant distributed to support the maintenance for schools
BPMKS	<i>Bantuan Pendidikan Masyarakat Kota Surakarta</i> , local version of targeted scholarship for the poor (see BSM)
BPJS	<i>Badan Penyelenggara Jaminan Sosial</i> , agency that manages social insurance programme, divided into two agencies
BPJS Kesehatan	Transformation of Askes, now handles health care programme, including social health insurance for the poor
BPJS Ketenagakerjaan	Transformation of Jamsostek, now handles employment-related programmes, ranging from pension, old savings, to injury and death benefit
BPK	<i>Badan Pemeriksa Keuangan</i> , State Audit and Comptroller Board of Indonesia

BPS	<i>Badan Pusat Statistik</i> , Statistics Indonesia. Agency that manages and disseminates official statistics
<i>Bupati</i>	Head of district, often synonymous with Regent
CCT	Conditional cash transfer
CDD	Community-driven development
DAK	<i>Dana Alokasi Khusus</i> , Special Allocation Grant. Ear-marked fund transfer
DAU	<i>Dana Alokasi Umum</i> , General Allocation Grant, Bloc-grant fund transfer
Dekon TP	Deconcentration fund, fund transfer to support central government function at the regions
<i>Desa</i>	village
DPR	<i>Dewan Perwakilan Rakyat</i> , People's Representative Council
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> , Regional People's Representative Council
DS	Development studies
<i>bagi rata</i>	Equal distribution (of rice or cash assistance), usually practiced by community leaders to reduce jealousy and resentment among community members
BSM	<i>Beasiswa Siswa Miskin</i> , targeted scholarship for the poor
BULOG	<i>Badan Urusan Logistik</i> , National Logistics Office
<i>Dinas</i>	Local office, usually manages specific function
Gakin	<i>Keluarga miskin</i>
Golkar	<i>Golongan Karya</i> (liberally translated as <i>functional groups</i> and popularly abbreviated as Golkar) is a concept introduced by the New Order government as a new force comprising loyalists of Suharto representing every sector of society, military, labourers, and professionals to channel their aspirations in politics.
GDP	Gross Domestic Product
GIC	Growth incidence curve
GNI	Gross National Income
<i>gotong royong</i>	Mutual help, considered as national values
HDI	Human Development Index
HPAE	High Performing Asian Economies
<i>ibu</i>	Salutation for adult female (Madam or Mrs.)
INDO-DAPOER	Indonesia Database for Policy and Economic Research, vast array of data set compiled by the World Bank. It comprises relevant economic and social

	indicators at the province- and district-level, which span across four main categories: fiscal, economic, social and demographic, as well as infrastructure
IPM	<i>Indeks Pembangunan Manusia</i> , see HDI
Jamkesda	<i>Jaminan Kesehatan Daerah</i> , generic name for regional health care services
Jamkesmas	<i>Jaminan Kesehatan Masyarakat</i> , official name for national health care later became JKN
Jamsostek	Agency that previously handled pension and old age saving programmes for formal employee, later became BPJS Ketenagakerjaan
JKN	<i>Jaminan Kesehatan Nasional</i> , official name of current national health care, started in 2014
JPS	<i>Jaring Pengaman Sosial</i> , social safety net
<i>Kabupaten</i>	District, the second tier administration level
<i>Kampung</i>	Cluster of neighbourhood
Kanwil	<i>Kantor Wilayah</i> , regional office of ministries that are centrally administered to undertake central government function
<i>Karesidenan</i>	An administrative unit roughly corresponding in area to a District or combination of multiple Districts nowadays
KB	<i>Keluarga Berencana</i> , family planning programme
<i>Kecamatan</i>	A subdivision of <i>Kabupaten</i> (District), the third tier administration level
<i>Kelurahan</i>	A subdivision of <i>Kecamatan</i> (Sub-District), ordinarily coinciding with a village
Kemendagri	<i>Kementerian Dalam Negeri</i> , Ministry of Home Affairs
Kemenkeu	<i>Kementerian Keuangan</i> , Ministry of Finance
Kemenko Kesra	Coordinating Ministry of People's Welfare
Kemensos	Ministry of Social Affairs
Kementerian PDT	Ministry of Village, Disadvantaged Regions, and Transmigration
KKN	<i>korupsi, kolusi, nepotisme</i> (malfeasances : corruption, collusion, nepotism)
<i>Kota</i>	Municipality, the second tier administration level
<i>Krismon</i>	<i>Krisis moneter</i> , usually refers to the monetary crisis in 1997-98
<i>Mantri statistik</i>	Statistician or enumerators
MDGs	Millenium Development Goals
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
money politics	Vote-buying practice in which electorates are offered with cash or goods
MoVDRaT	Ministry of Village, Disadvantaged Regions, and Transmigration

Muhammadiyah	The second largest Islamic non-governmental organisation in Indonesia. Established in 1912, the organisation has adopted a reformist platform combining methods of religious and secular education, primarily as a way to promote the upward mobility of Muslims toward a 'modern' community and to purify Indonesian Islam of local syncretic practices
Musrenbangnas	<i>Musyawarah Perencanaan Pembangunan Nasional</i> , National Development Planning Meeting. Annual deliberative meeting which gathers local and sectoral governments to discuss development priorities, themes, and workplans
NKRI	<i>Negara Kesatuan Republik Indonesia</i> , official name of the country
NU	<i>Nahdlatul Ulama</i> , the largest Islamic organisation in Indonesia. Founded in 1926 as a traditionalist Sunni Islam movement in response to the increase of strict Wahabism and modernism. The organisation had become a charitable body to help alleviate poverty
OPK	<i>Operasi Pasar Khusus</i> , Special Market Operation normally refers to the rice
Oportunidades	Cash transfer programme in Mexico, its beneficiary subject to fulfil school and health clinic attendance
Orde Baru	New Order, periods of Suharto's administration (1966-1998)
Orde Lama	Old Order, periods of Sukarno's administration (1945-1965)
Otda	<i>Otonomi daerah</i> , regional autonomy
PAD	<i>Pendapatan Asli Daerah</i> , Local Revenue
Pancasila	Five founding state principles, formulated by Sukarno
Pemilu	<i>Pemilihan Umum</i> , general election held five-yearly to elect president, vice president, and members of parliaments
Perda	<i>Peraturan daerah</i> , local regulation enacted by executives at the district and provincial levels
Pilkada	<i>Pemilihan Kepala Daerah</i> , local election held five-yearly to elect local leaders.
<i>Politik aliran</i>	Political cleavage, usually based on religion, ethnicity or other social markers
PKH	<i>Program Keluarga Harapan</i> , official name of CCT in Indonesia
PKPS-BBM	<i>Program Kompensasi Pengurangan Subsidi BBM</i> , ad-hoc compensatory programme to mitigate the effect of inflation caused by fuel subsidy removal
PMT	Proxy means testing
PNPM	<i>Program Nasional Pemberdayaan Masyarakat</i> , National People's Empowerment Program, the umbrella for various community-driven development programmes

PBB	<i>Partai Bulan Bintang</i> , Crescent Star Party, an Islamic modernist political party
PDI-P	<i>Partai Demokrasi Indonesia – Perjuangan</i> , Indonesian Democratic Party of Struggle (formed in 1998)
PKB	<i>Partai Kebangkitan Bangsa</i> , National Awakening Party, a political party established in 1999, closely associated with NU
PKS	<i>Partai Keadilan Sejahtera</i> (Justice and Prosperity [Prosperous Justice] Party), an Islamic modernist party closely affiliated with international network based in Egypt
PPLS	<i>Pendataan Program Perlindungan Sosial</i> , poverty census held by BPS to determine roster of beneficiaries
PPP	Purchasing Power Parity
PPP	<i>Partai Persatuan Pembangunan</i> , United Development Party, a fusion of four Islamic parties formed officially in 1973.
PPRD	<i>Perencanaan dan Penganggaran Responsif Gender</i>
<i>Provinsi</i>	Province, The first tier administration level
PSE-05	<i>Pendataan Sosial Ekonomi</i> , initial poverty census held in 2005 to support the implementation of BLT
PUG	<i>Pengarusutamaan gender</i> , gender mainstreaming
Raskin	<i>Beras untuk masyarakat miskin</i> , subsidised rice allocated for the poor
<i>reformasi</i>	Reform period. Used to characterise Post-New Order Indonesian society and politics
<i>relawan</i>	Volunteers, in this context refers to the members of <i>tim sukses</i>
RISE	Rural Infrastructure Social Economy, component programme of PNPM
RIS-PNPM	Rural Infrastructure Support, component programme of PNPM
RT	<i>Rukun tetangga</i> , small neighbourhood, usually consists of 10-20 houses
RW	<i>Rukun warga</i> , larger cluster of neighbourhood, usually comprises 5-10 RTs
Sakernas	National Labour Force Survey
Saraswati	<i>Sarase Warga Sukowati</i> , Healthy Sukowati Citizen
SDGs	Sustainable Development Goals
Sekda	<i>Sekretaris Daerah</i> , regional secretary
<i>serangan fajar</i>	‘dawn attack’, money politics directed at community usually at early morning
SIKD	<i>Sistem Informasi Keuangan Daerah</i> , regional finance information system
SJSN	<i>Sistem Jaminan Sosial Nasional</i> , National Social Security System

SKTM	<i>Surat Keterangan Tidak Mampu</i> , letters issued by local office for poor households usually to identify the holders as eligible SP beneficiaries
SMEs	Small and Medium Enterprises
SMERU	Social Monitoring and Early Response Unit (SMERU), a project managed by the World Bank, later became a research institute
SP	Social Protection
SPADA	Support for Poor and Disadvantaged Areas Project, a component programme of PNPM
Susenas	<i>Survei Sosial Ekonomi Nasional</i> , National Socio-Economic Survey
Taspen	Agency that currently handles pension and old age saving programmes for civil servants, will merge into BPJS Ketenagakerjaan in 2029
<i>Tim sukses</i>	Campaign team or group of supporters who are responsible to manage and make sure the victory of their favorite candidate
TKPKD	<i>Tim Koordinasi Penanggulangan Kemiskinan Daerah</i> , Regional Coordinating Team for Poverty alleviation
TNI	<i>Tentara Nasional Indonesia</i> , National Forces
TNP2K	<i>Tim Nasional Percepatan Penanggulangan Kemiskinan</i> , National Team for Poverty Reduction Acceleration
<i>uang lelaki</i>	Allowance money for adult male in a household, usually for non-productive consumptions such as cigarette or alcohol
UPTPK	<i>Unit Pelayanan Terpadu Penanggulangan Kemiskinan</i> , Integrated Service Unit for Poverty Reduction

PART I INTRODUCTION

Chapter One: Introduction and Background to the Thesis

‘Indonesia in 2002, by almost any measure, is in transition. Dictatorship, centralisation, and growing economic prosperity littered with “crony capitalism” are giving way to democracy, decentralisation, and economic uncertainty.’¹

‘Indonesia’s political system has become more inclusive, if only somewhat more so. The fall of Suharto and the subsequent process of democratisation have removed key obstacles to organisation by poor and disadvantaged groups and their NGO allies, making it easier for them to engage in collective action aimed at achieving pro-poor policy change.’²

1.1 Introduction

Since the end of the Asian Financial Crisis (AFC) starting in 1997 and after the downfall of the New Order regime in 1998, Indonesia has gone through a decentralisation process that significantly changed its political and governance structures. The adoption of constitutional amendments throughout ‘*reformasi*’ has affected not only political and governance settings but has also had far-reaching implications for the nature of social protection (henceforth SP). While the experiment of ‘big bang’ decentralisation devolved more power, resources, and authorities to local government³, the impact on public welfare, particularly for the most vulnerable groups, remains in doubt. Similarly, the deepening of electoral democracy at the regional level has shown mixed results towards the welfare of the citizens. A growing body of literature shows that corruption, lack of resources, and other problems have impeded local governments from fully realising their potentials.

According to Faguet (2014) decentralisation is one of the most important reforms of the past generation, both in terms of the number of countries affected and the potentially deep implications for the nature and quality of governance. From the last late 1990s, estimates of the number of decentralisation experiments ranged from at least 80 percent of the world’s countries.

¹ Cassing (2002, p. 95)

² Rosser et al (2005, p. 54)

³ The top three tiers of government in Indonesia are central, provincial, and local. Local governments consist of both districts (*kabupaten*) and municipalities (*kota*), both of which are second-tier governments (at the same administration level), having their own local government and legislative body. The difference between a district and a city lies in demography, size, and economy. Generally, a district comprises a rural area, larger than a city whilst a city usually has non-agricultural economic activities. A noteworthy feature of decentralisation is that most functions of government were devolved to local governments i.e. districts and cities, bypassing the provinces (see Figure 1.1).

At this point, it is critical to define decentralisation, as the term used here refers to the work of Faguet and Sánchez (2008) and Manor (1999) as devolution by central (i.e. national) government of specific functions. Within this concept is, entailed the transfer of administrative, political, and economic attributes to regional and local (i.e. provincial, district, and municipal) governments that are independent of the centre within given geographic and functional domains.

In Indonesia, the process of decentralisation from its very beginnings had to face both slow economic recovery and unsettled political conditions. This contributed to the delay in recuperation from protracted economic troubles. Hill and Shiraishi (2007) argue that the Indonesian economy had only taken its place on the track for recovery by the start of 2003. Currently, regulations for decentralisation are still a work in progress, including resource allocation mechanisms. Coordination between central and local governments has been improving, most notably through an annual central-local dialogue process on development plans (*Musyawarah Perencanaan Pembangunan Nasional*, Musrenbangnas). Using socio-economic indicators (i.e. poverty rate and the inequality coefficient) as a benchmark, it appears that while several regions have demonstrated success, the majority have been struggling to mitigate poverty and inequality (for details see Miranti, Vidyattama, Hansnata, Cassells, & Duncan, 2013; Yusuf, Sumner, & Rum, 2014).

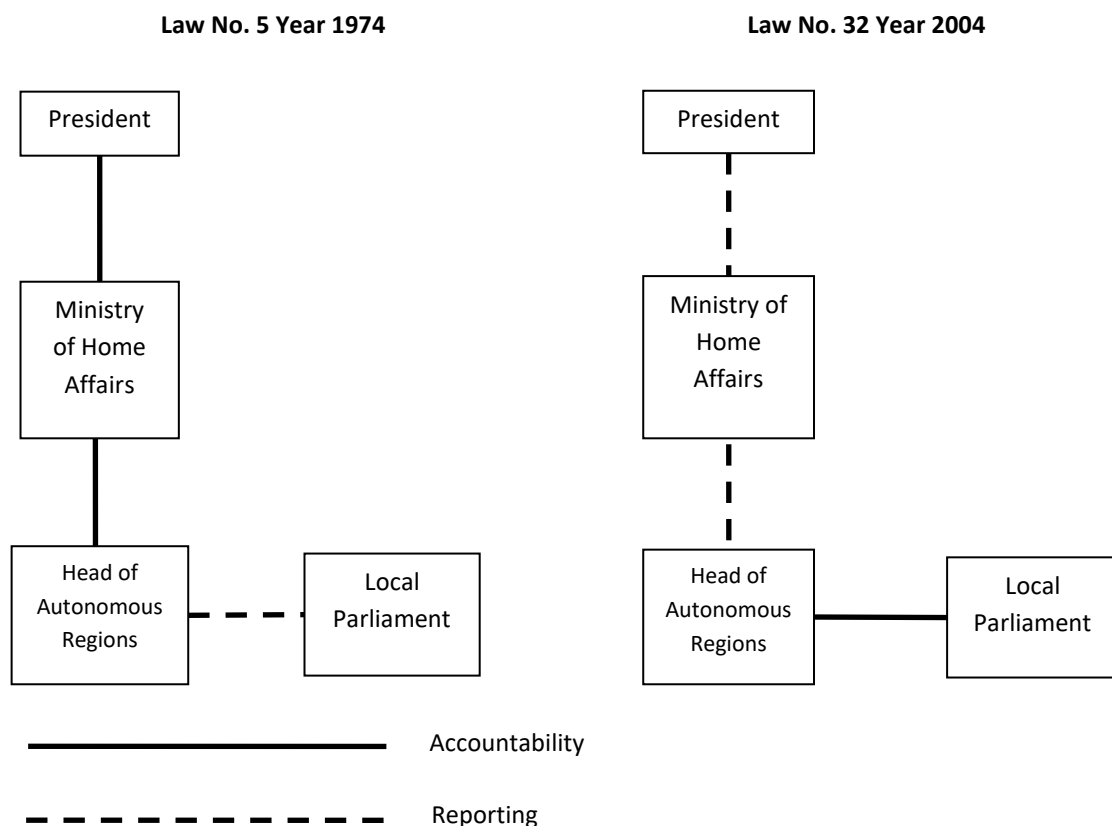


Figure 1.1 Changes from Law No. 5 Year 1974 (Limited Autonomy) to Law No. 32 Year 2004 (Decentralisation)

Decentralisation has seen the country embark on a new era where the central government delegated substantial authority to districts (tier-2 administrative level) (see Figure 1.1). A previous law on decentralisation (Law No. 22 Year 1999) provides local governments the entitlement to determine the size of their government, which means local governments have authority in recruiting civil servants based on their needs and capabilities. However, Law 32 Year 2004 clarifies that the management of civil servants is still retained by a national body which prevents local administration from hiring capable personnel. The decentralisation process has also allowed local governments to expand their sources of income from either domestic or international partners, by removing previous restrictions that prevented these business relationships; although the local government still needed to have approval from the central government for such activities if they involved international partners. It is naturally expected and assumed that by shifting some areas of policy responsibility to the local level, the development process will yield improved outcomes at the local level, and flowing on to positive national outcomes as a whole as local governments are expected to understand the needs and capabilities of their community better than the central ministries.

Perceived as a corollary of decentralisation, the process of democratisation in Indonesia had followed the gradual process as in other developing countries. Culminated in 1998, when the authoritarian regime ended, the country had undertaken series of deepening reforms towards electoral democracy. Taking the definition from Carbone (2009, p. 124): democracy and democratisation are justified by reference to a multiplicity of values that encompass broad ideals such as liberty, equality, or justice. These values largely seem in line with the spirit of decentralisation reforms although it poses enormous challenges at the same time. The principles of newly-introduced democracy are meant to be incarnated via the introduction and subsequent working of a democratic political system. In this thesis, democratisation predominantly refers to the implementation of electoral democracy at the lowest level of administration. Direct elections for the positions of legislators and executives from its inception in 2005 have been the primary focus in the present study.

Therefore, equally important in this research is to examine the potential features of electoral democracy which have different consequences for decentralisation in different local environments with varied capacities. Given that decentralisation has sought to deepen democracy, it is important to investigate the political consequences of devolution, for instance by detecting the presence of a political budget cycle which gives advantage to the incumbent while maintaining a high level of patronage and clientelism. In this study, the impact of local elections on public service delivery in Indonesia is examined, focusing particular attention on the interaction between directly elected local leaders since 2005 and politically fragmented constituents.

On top of the relatively positive outcome of decentralisation and democratisation, Indonesia has made remarkable progress in its democratic transition and economic recovery from the AFC of the late 1990s. Nevertheless, as of March 2017, around 27.77 million people (10.64 percent of the population) still live below the national poverty line (Statistics Indonesia, 2017). The government currently reorients the implementation of poverty reduction programmes into three clusters based on different objectives and targets, yet the overall outcome of this policy has shown mixed results (Suryahadi, Febriany, & Yumna, 2014a; Suryahadi, Yumna, Raya, & Marbun, 2010). At the same time, the government has attempted to revitalise social insurance, initially by expanding the coverage of social health insurance commencing from January 2014 and followed by employment insurance in mid-2015. However, issues such as insufficient resources and poor service quality still need to be addressed (Armstrong & Rahardja, 2014 p.11). While it is recognised that much has been achieved, additional policy adjustments will need to be made to extend SP for Indonesia's wider population. Indeed, the improvement of SP at the subnational level is critical for promoting better basic services. As a consequence, there are mushrooming local regulations (*Peraturan Daerah*) and initiatives aimed at apportioning the local budget for various 'populist' programmes, ranging from free health care insurance to the provision of accidental grants. In reality, these are not effective to reduce levels of poverty and vulnerability and are often used merely as political instruments to garner votes during the local election as evidenced by Rosser and Wilson (2012).

With regards to the contested definitions and concepts of SP, this study adopts the argument of Devereux and Sabates-Wheeler (2004) that SP has the potential to play a greater role in improving people's livelihoods. Arguably, this stance is relevant for emerging countries with a significantly growing middle class segment but lacking sufficient resources to protect the poor and vulnerable groups from livelihood shocks. In addition, social policies in developing countries often encompass broad objectives beyond poverty alleviation. An example is given by de Haan (2014) who mentions the importance of SP for countries seeking to achieve several targets in the Millennium Development Goals (MDGs). Correspondingly, international attention has shifted to viewing social problems using a broader lens. The Human Development Report (2014), which considers vulnerability and resilience, is just one example. Within this context, SP here refers not only to the system of protective measures designed to act merely as a 'safety net', but also to measures that are able to mitigate social risk and vulnerability towards the ultimate goal of empowering the poor, as echoed by Ortiz's definition of SP (2001). The deliberate choice of the broader definition of SP is intended to capture the complexity of the field while reconciling the diverse interpretations used by academics and policymakers. Devereux and Sabates-Wheeler's concept of SP (2004) which covers four measures (protective, preventive,

promotional, and transformative) appears comprehensive and well rounded, although it requires a considerable amount of resources and readiness to manage complex systems.

One of the most common obstacles in delivering SP is the lack of coordination between institutions and the fragmented nature of programmes. Since poverty and vulnerability are multi-dimensional phenomena (Alkire & Foster, 2011; A. Sen, 1999; Townsend, 1962), one programme alone or in isolation cannot address the multiple needs a family might face. Thus, one may argue that coordination and integration among programmes not only contribute to increased efficiency and reduced redundancy and duplication, but also to the greater impact of SP programmes.

1.2 Motivation and Rationale for Research

As the thesis title suggests, this research is mainly about the development of SP in the midst of considerable reforms in terms of decentralisation and democratisation in two locations in Indonesia. The research is set in the foreground of the aftermath of two prominent events: a severe economic crisis and extensive political reform. The reference to SP in the title indicates the central aim of government policies, namely that of increasing public welfare, which have been considered the manifestation of political and economic transformation in developing countries.

This research attempts to advance existing theory on how decentralisation works in practice. It also explores how decentralisation can support the implementation of SP programmes in a country with heterogeneous political, social, and economic settings such as Indonesia. Much of this thesis is underpinned by the fact that decentralisation, electoral democracy, and SP are still in progress. Many aspects have been implemented but some important issues are yet to be resolved. Therefore, it is expected that this thesis will address the gaps that remain in the literature due to the paucity on the intersecting topic of decentralisation, democratisation, and SP.

The potential for carrying out such research has been facilitated following the launch of open-access INDO-DAPOER database in 2014. Managed by the World Bank, this comprises detailed accounts of local budgets and information pertaining to development at regional levels. Although there are still gaps in data collection, this is undeniably an important resource for research.

This study has signal relevance to the policy process in Indonesia for a number of reasons. First, out of 549 decentralised districts in Indonesia, 183 are categorised as underdeveloped regions (Government of Indonesia, 2010). Furthermore, the locations chosen for this research reflect varied socio-economic statuses, fiscal capacity, and natural resource endowments. Although it has been significantly reduced significantly, poverty among certain populations is difficult to eradicate. In addition, there is a large

vulnerable population, including those who are living under the poverty line or in the near-poor category. Living in precarious conditions, large numbers of the population are often socially excluded. Although social exclusion is a malleable concept and subject to wide interpretation, it essentially means ‘more than material lack of income’ (J. Pierson, 2010). Even then, the majority of the socially excluded live in poverty with inadequate infrastructure, have very limited access to the job market, suffer permanent disabilities, or are denied public services because of their social/geographic characteristics. In this context, exclusion is also related to gender and age. It is worth looking at the effects of decentralised SP in addressing this problem.

Second, government institutions have the mandate to formulate, and promote laws, and to a certain extent, enforce compliance with legal instruments. Within this context of governance from local to higher levels of administration, several questions can be addressed: is decentralisation in these areas effective as a means of bringing service delivery closer to the people, and are these services appropriately based on what the people need? Does an improved accountability chain overcome barriers to obtaining services?

Third, excluded communities and vulnerable groups tend to be denied participation in policy-making. Notwithstanding the current emphasis on decentralisation, most policy-making still occurs at the national level, even though implementation is local. Decentralisation should allow for excluded communities to better participate in social-political affairs, giving them power to influence decisions that affect their lives. Decisions made with greater participation are expected to lead to better designed projects, better targeted benefits, more cost-effective and timely delivery of project inputs, and more equitably distributed benefits with less corruption and other rent-seeking activities (Mansuri & Rao, 2004, p. 6).

Finally, working on the hypothesis that capacity building must precede local autonomy in order for decentralisation to ‘work’, this research will begin by making the case that regional institutional capacity is a main component for development (Fanany, Fanany, & Kenny, 2009). By looking into the role of central and local governments in policy making for SP programmes, provision and regulatory functions, there will be insights into whether inclusion for vulnerable groups is a result of shrewd negotiation (managing politics) or good design (capacity building).

It is in this context that the work of this PhD has arisen. Analysing large-scale nationally representative survey data from Indonesia prior to exploration through in-depth interviews and observations from two selected locations, this PhD aims to bring recent methodological advances in statistics together with an inter-disciplinary perspective to gain a clearer picture on the impact of decentralisation and democratisation on SP in developing countries. More specifically, it seeks to demonstrate how the

utilisation of complex statistical models could help stakeholders maximise the depth of policy-relevant insights that can be derived from existing repeated cross-sectional survey data and comparative case studies. In so doing, it is hoped that policy-makers, academics, and society as a whole will benefit more from this endeavour.

1.3 Research Objectives and Questions

Among 115 developing countries in the world, Indonesia is considered unique for the purpose of research on topics of decentralisation, democratisation, and SP in several significant ways and therefore is worth being used as a case in point in this study. Specifically, the key objectives of the study are to investigate:

- a. The impact of decentralisation on areas with different characteristics, and how decentralisation succeeds in providing greater inclusion for the poor and vulnerable groups.
- b. The current legal framework providing responsibilities and resources to provincial and local governments for developing and implementing SP programmes, including gaps that may be present in the current legal and institutional framework.
- c. The conditions that influence the success of SP reforms and transformation in the regions (i.e management of resistance, reforms, local politics, and the role of leadership).
- d. The importance of coordination and integration of SP programmes for the benefit of poor and vulnerable families at the regional level.
- e. The local understanding of SP and the role it plays in development and addressing poverty, and the wide range of programmes that could be implemented at local levels.

This research evaluates the overall implementation of SP programmes, including those that are central government-led and local government-initiated. Based on the evidence mentioned in the introduction and the objectives of this study, this research attempts to answer the main research question: **To what extent has decentralisation and democratisation in Indonesia enabled SP programmes to improve the livelihood of poor and vulnerable people?**

In elaborating the main research question, the following sub-questions will be addressed to comprehensively capture the complex system of linkages between SP, decentralisation, and democratisation:

- a. What are the functional roles of local governments in Indonesia?
- b. In the context of decentralisation, what reforms and capacity building mechanisms are carried out in these locations?

- c. In the context of electoral democracy or local politics, what are the key factors supporting the reforms?
- d. What factors influence the success of these reforms?
- e. To what extent has the implementation of decentralisation and democratisation expanded the coverage of SP beneficiaries?

In answering these questions, this study will not only add to an understanding of the effects of decentralisation and democratisation on SP in Indonesia, but it will also contribute to a broader discussion on the relationship and the nexus between the three. Moreover, the study will examine this relationship at both the macro and micro levels. At the macro level, the study will focus on around 500 districts and 33 provinces in Indonesia, while at the micro level it will examine the effects of regional governance on SP in two selected districts in Central Java. The following three approaches have been adopted to answer the research questions comprehensively:

(1) Exploring the link between decentralisation, democratisation, and SP at both macro and micro levels.

At the macro level, the relationship between decentralisation, democratisation, and SP will be examined by exploring the relationship between government spending and social welfare variables at the district level, as well as the link between the quality of government spending (accountability) and outcomes. To support the analysis, secondary data for all districts collected from various official sources will be utilised. At the micro level, the link between decentralisation, democratisation, and SP will be analysed by comparing the performance of two districts, expectedly in order to capture impact after the implementation of policy changes. This comparison will be made in the areas of public service delivery, local economic development, and changes in social welfare indicators. In order to substantiate the comparison at the micro level, data and information from fieldwork will be combined with extensive use of Susenas (annual socio-economic national survey carried out by Statistics Indonesia).

(2) Evaluating the current practices of local governments in their delivery of public services and their SP programmes.

The second approach deals with the effects of decentralisation and democratisation in two districts on the services and programmes of local authorities. In more detail, this micro level study attempts to look at the extent to which local governments have applied the principles of good governance in response to the demands of their citizens and its impact on SP; how local governments have addressed problems of social welfare and have set SP programmes in their regions; the extent to which local governments have set their policies and budgets to support the implementation of local SP; and the

extent to which all stakeholders of decentralisation and democratisation (local parliaments, local NGOs, and local community) have been involved in the development process after the enactment of regional autonomy and direct elections. The results of the evaluation of current practices at the local level are expected to provide an explanation of the differences in the outcomes of policy changes.

(3) Searching for the mechanisms of an effective local SP under the decentralised and democratised system and providing policy recommendation for social welfare development.

The findings obtained from exploring the nexus of decentralisation-democratisation-SP based on the first two approaches will then be used to determine the mechanisms that link policy changes to effective SP, and thus to provide policy recommendations to local governments for a successful social policy. In addition this thesis aims to test and to assess the extent of compatibility of decentralisation and democratisation to the implementation of SP specifically and the livelihood of community in general.

1.4 The Scope of the Study

The time frame of this research is the fifteen-year period after the implementation of regional autonomy. The main consideration is that fifteen years of implementation should be long enough for the impact of decentralisation programmes to be apparent, particularly in the area of social welfare improvement. Moreover, the process of deepening democratisation which began ten years ago will already have resulted in local development. At the macro level, this study will observe national data sets at both provincial and district levels, while two districts have been chosen for the qualitative analysis at the micro level. Due to the large number of districts in Indonesia, the results of the study from these two selected districts are unlikely to represent the nation as a whole. However, the results of the study do show how decentralisation and electoral democracy can assist social welfare development in Indonesia and therefore the study can help identify lessons for other local governments in running their autonomous regions.

1.5 Description of Poverty and Vulnerability

For the purpose of this research, Indonesia today offers distinctiveness incomparable to many developing countries. With its diversity, both in geographic and institutional attributes and in economic performance, it permits a critical assessment of the influence of economic policies and initial conditions, including institutions and geographic attributes, on several variables related to social welfare development, including poverty and inequality.

As a result of the political turmoil and economic downturn that took place in early independence, the Indonesian economy experienced a steadily rising inflation rate which spiralled into unprecedented hyper-inflation (Wie, 2010). This calamity made the economy stagnated and only created modest growth even during agricultural seasons with good harvest. Based on the available evidence, it is known that per capita income in Indonesia was below that of other Southeast Asian economies. The situation was mainly caused by high population growth above the rate of economic growth which resulted in declining GDP per capita. After recovering from detrimental economic crisis and traumatic political dislocations of the mid 1960s, the country embarked on a period of stable and sustained economic growth under the command of New Order government. During that period of the 1990s, Indonesia was categorised as one of the High Performing Asian Economies (Wie, 2012b).

Indonesia has a long story of poverty reduction that goes back to the beginning of the Suharto era. After periods of recovery and restructuring, the country managed to achieve economic success largely because of its economic policy and *oil bonanza* (windfall profit from oil price increase). Once dubbed as one of the 'Tiger Cub' economies in Asia (along with Malaysia, the Philippines, Thailand and Vietnam), Indonesia maintained stable economic growth until the AFC struck in 1997. After a series of dramatic political events, Indonesia started to regain its footing. The country has largely recovered from the economic crisis, recently becoming one of the world's emergent middle-income countries.

Table 1.1 Selected Macroeconomic Variables for Indonesia

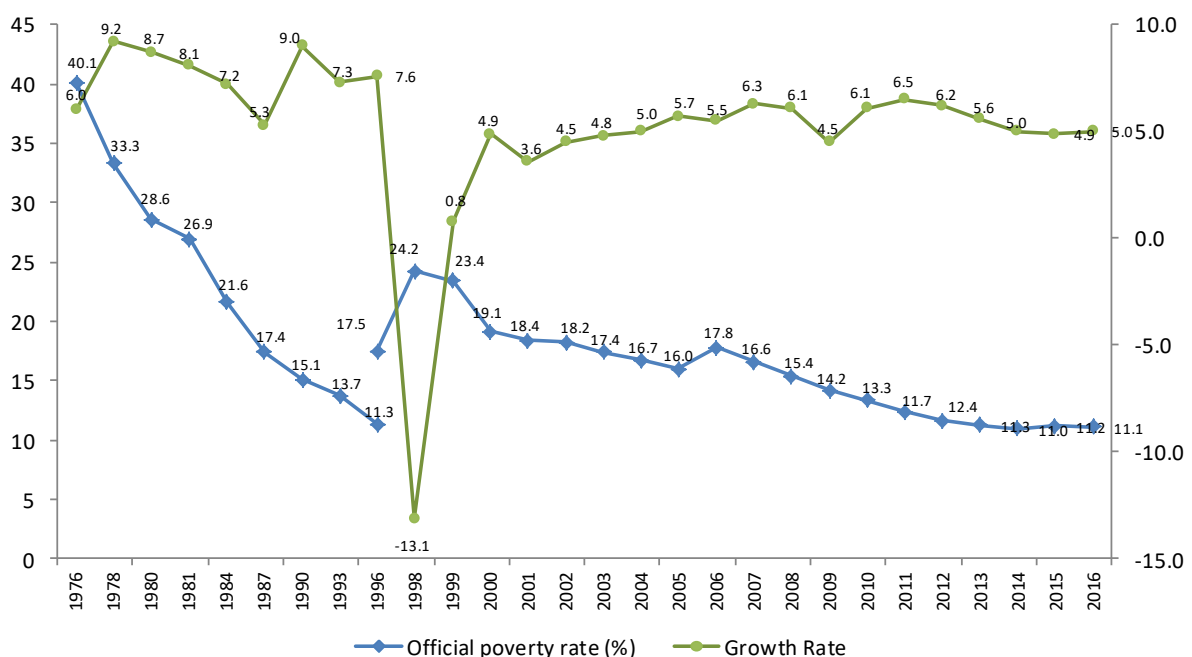
	1970	1980	1990	2000	2010	2016
GDP growth (y-o-y)	7.55	9.88	7.24	4.92	6.22	5.02
Inflation rate (y-o-y)	12.35	18.02	7.81	3.72	5.13	3.53
Exports to GDP (%)	12.84	30.47	26.56	40.98	24.30	19.08
Imports to GDP (%)	15.84	22.18	26.05	30.46	22.40	18.31
Exchange rates (IDR/USD)	362.83	626.99	1842.81	8421.78	9090.43	13308.33
Investment to GDP (%)	n.a.	21.57	28.34	19.85	31.99	34.29

Source: data.worldbank.org

Table 1.1 provides summary statistics on the Indonesian macro economy which tells the basic story. The Indonesian economy has grown significantly during the past decade and is currently categorised as a lower-middle income country with an economy dominated by the manufacturing sector. The country's per capita gross national income (GNI) increased from US\$580 in 2000 to US\$1,170 in 2005, and is estimated to further increase to US\$2,963 in 2010 (The World Bank, 2013). With GDP at US\$695.06 billion in 2010, Indonesia was ranked the fifth largest economy in Asia – after Japan, China, India and Korea.

Viewed in long term perspective, Indonesia's record of sustained poverty reduction has been remarkable. Over the two decades before 1996, the proportion of people living below the government's poverty line⁴ declined from almost two-thirds to less than one-fifth. The incidence of poverty was reduced dramatically in both urban and rural areas in all provinces. This was notably due to economic growth being the principal driver. Since 1996, the rate of poverty reduction has been more moderate but there have been just two periods during which the incidence of poverty did not fall. The first was the AFC of 1997-1998 where GDP contracted by 13 percent; and the second period was 2005-2006, even though GDP grew by more than five percent.

As seen in Figure 1.2, poverty incidence fell from 28 percent in the mid-1980s to about 8 percent in the mid-1990s, compared to the poverty reduction of the same period from 29 to 27 percent for all developing countries in the Asian region (excluding China). Poverty reduction efforts have shown their success at the ascent of the New Order government (1976-1996) with a dramatic decrease in poverty rate, yet they slowed down after Indonesia was struck with an economic crisis in 1997-98. Programmes that directly target poverty were non-existent during the New Order era.



*) The method for calculating the poverty rate was revised in 1998 and reapplied to the data for 1996.
 Source: GDP Growth rate: World Development Indicators; Poverty rate: Statistics Indonesia (various years)

Figure 1.2 GDP Growth Rate and Poverty Rate in Indonesia, 1976-2016 (%)

The pace of poverty decline has been slowing since the fall of Suharto in 1998 given the rapid and unequivocal shift towards more democratic and decentralised polity. Two factors have been at play.

⁴ Poverty line refers to lower threshold of monthly expenditure calculated from the prices of items reflecting basic needs of individuals (including minimum 2,100 kilocalorie intake).

First, for many reasons, economic growth has been much slower than in Suharto's era, notwithstanding the fact that Indonesia is hardly a poor performer among countries with similar experiences of political transition. At the same time, however, poverty rates have become less responsive or less elastic to economic progress. Slower growth of employment in the more labour-intensive segments of manufacturing and services appears to have played a major part in this outcome, which is in turn attributed to the less flexible environment for formal sector employment.

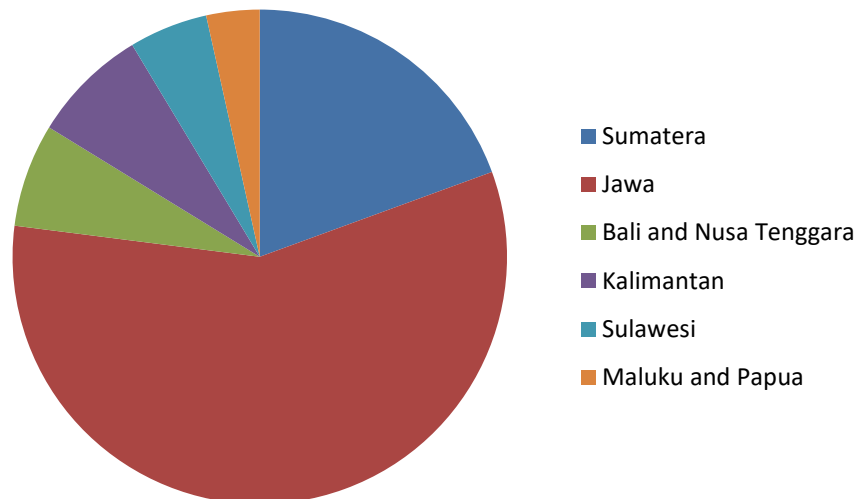
Agriculture, the source of the most labour-intensive sector, shows declining trends in terms of relative GDP composition. This diminishing return of agriculture sector potentially lead to the dichotomy on economy which according to Bourguignon and Morrison (1998) could cause inequality in income distribution. The advancement of the agriculture sector is relatively effective in reducing inequalities in income and poverty, as mentioned in Ravallion and Datt (1996). Meanwhile, Mellor (1999) proposes that growth in the manufacturing sector is important to the country's economic development, but growth in agriculture is believed to be most important to increase employment creation and poverty reduction.

Despite substantial authority and fiscal power devolved to the regions after the enactment of decentralisation laws, problems of poverty remain in mainland Java. Figure 1.3 suggests that Indonesia has a regional pattern of poverty that is mainly centred on Java. This is not surprising since the mainland of Java has been inhabited by as large as 68 percent of the country's population (Firman, 2017). Java is the most populated island in the country with a high rate of urbanisation (60.8 percent as of 2010) and above-average annual population growth (3.10 percent as opposed to the total population growth rate of 1.25 per cent per year over the period of 2000-2010) (p. 51). Meanwhile in other islands, poverty headcount as in absolute numbers might seem very small in comparison with Java. Probably correlated with positive economic growth between 1993 to 2013, the apparent decelerating rate of poverty headcount occurred in all provinces to varying degree. This chart displays the difference in poverty levels in six major islands over two periods: 1993 (eight years prior to enactment) and 2013 (twelve years after implementation). Whilst there is minor reduction in poverty in Java and significant decrease in Kalimantan, poverty is apparently becoming a more prominent issue in Sumatera, Sulawesi, Maluku and Papua. Interestingly, the message from these charts is in line with the findings from Miranti et al. (2013) which find that regional disparities persist including the imbalances in development at the district level with substantial differences in poverty rates.

The disparity seems intractable and cannot be solved merely with decentralisation (Resosudarmo, Wuryanto, Hewings, & Saunders, 1999). This is partly because government decentralisation is not always designed specifically to target poverty alleviation, social welfare improvement, or rectifying problems related to inequality. Transferring anti-poverty programmes directly to local governments

may not necessarily be the best solution for poverty alleviation. Bird and Rodriguez (1999), using cases in developing countries like the Philippines, Argentina, Chile, as well as Indonesia, state that the relationship between poverty and decentralisation largely depends on public investment of local governments to reduce poverty, and in the implementation of national poverty policy, either narrowly or broadly defined. Given the heterogeneity of capacities and resources, they suggest that decentralised poverty strategies require a degree of equalisation in terms of fiscal transfers. Therefore, to decentralise poverty alleviation strategies, the credibility and accountability of local government is strictly required. Galasso and Ravallion (2005) further emphasise that decentralisation is about government accountability and thus central governments should obtain complete information before delegating authority over anti-poverty programs, as the central government cannot control the outcomes when autonomy has been fully implemented.

Where do the Indonesian Poor Live? 1993



Where do the Indonesian Poor Live? 2013

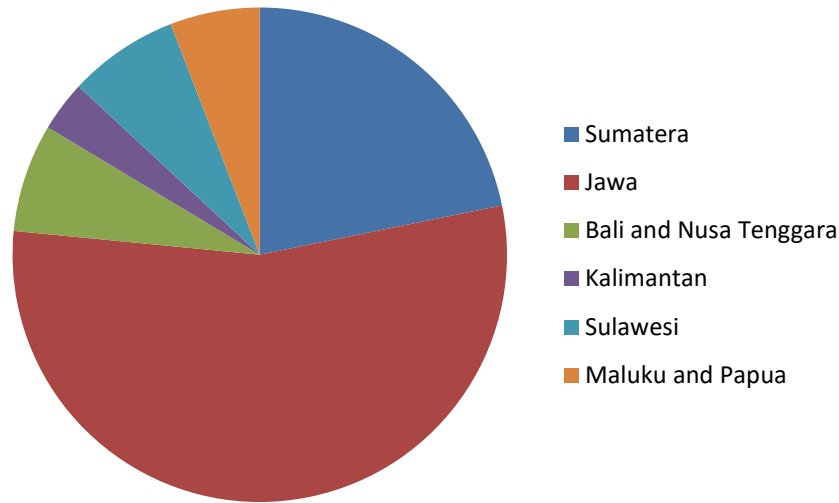


Figure 1.2 Location of the Poor (1993 and 2013)

Figure 1.4 shows geographically the distribution of poverty rates across Indonesia. The map reveals that in terms of proportion, poverty rates can be found far higher in eastern part of Indonesia which seemingly gives impression that the problem of poverty is more severe in islands outside Java. Yet, this does not change the fact that most of Indonesia's poor are situated in the densely populated western part of the archipelago. For example, while the poverty rates in Java are relatively lower than Papua (the easternmost island), with Java being home to 57 percent of Indonesia's total poor, while Papua only hosts three percent of the poor.

However, there are provinces in the western part of Indonesia that saw increasing poverty rates such as in Aceh (the westernmost island), probably largely due to the prolonged conflict. These charts also lead to an indication that there has been uneven development which has resulted in a polarised pattern of population density as well as poverty. The figures also seem to convey a message that neither decentralisation nor democratisation seems capable of changing this persistent development pattern, at least in the timeframe of the last two decades.

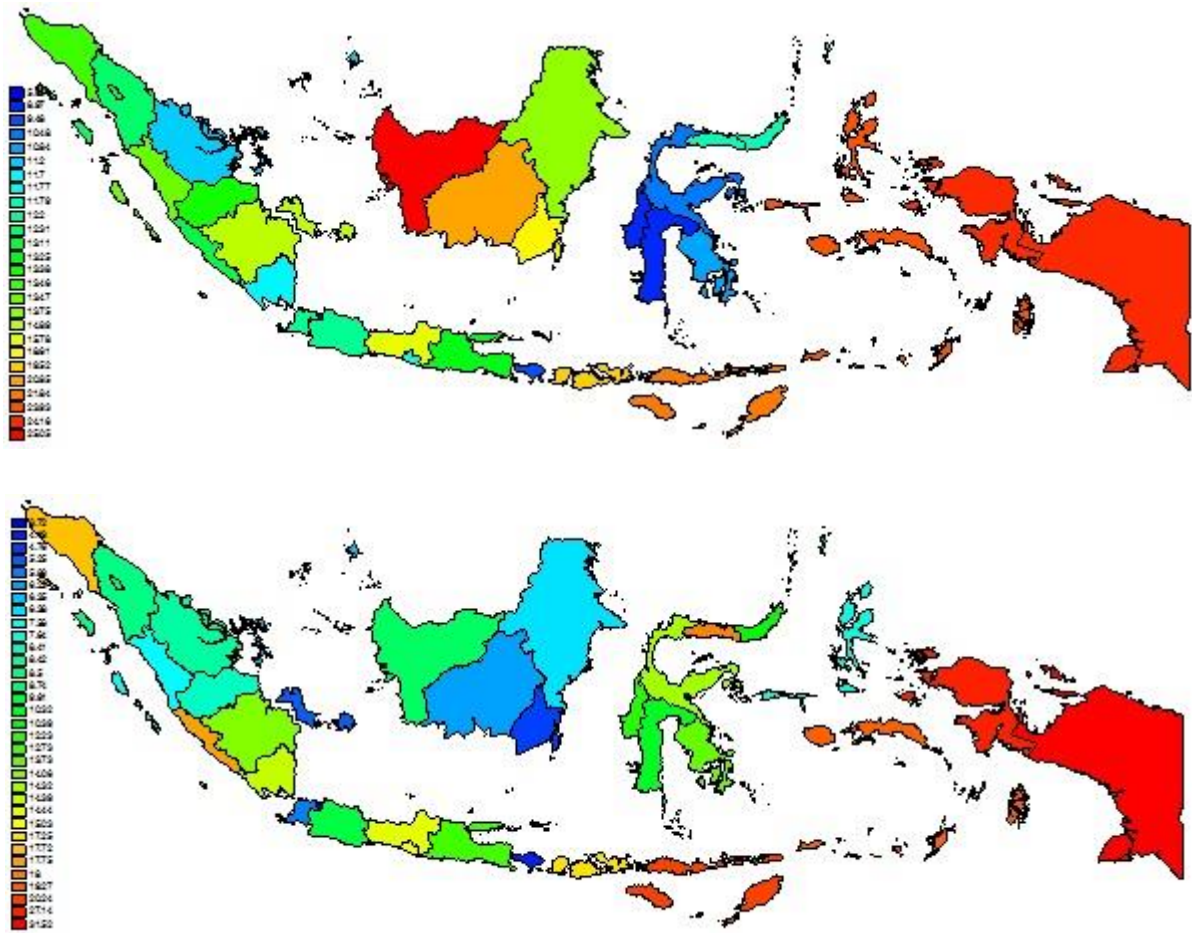


Figure 1.3 Poverty Rates by Provinces (1993 and 2013)

A few regions have seen significant improvements or decline in poverty relative to the national average, with the notable but not unexpected exception of Aceh, while the eastern part of Indonesia, especially Papua, remains considerably poorer than the rest of the country. This fact runs slightly counter to the aim of the special autonomy law to improve local economic development, mitigate social problems, and to help lagging regions catch up to the national standard.

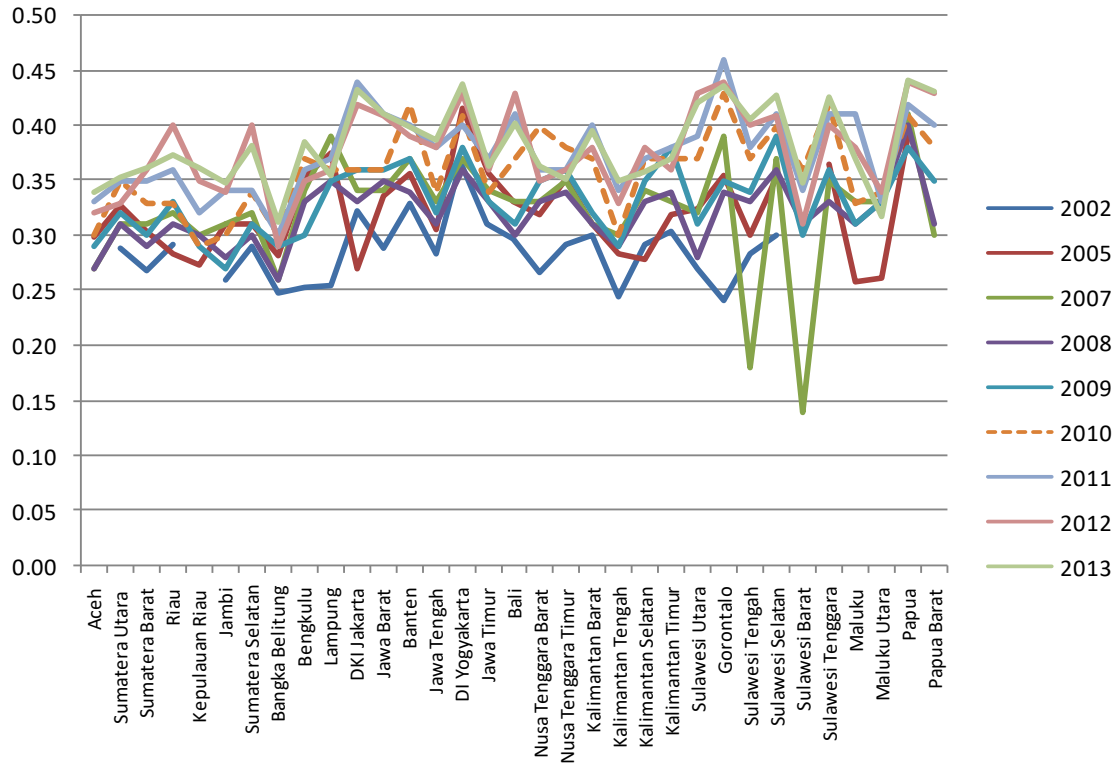


Figure 1.4 Inequality in Indonesia by Provinces (2002-2013)

Figure 1.5 depicts the rates of inequality at the provincial level from the early phase of decentralisation up to 2013. It appears that the trend in inequality is slightly increasing for all provinces. Not only do provinces in Java have higher inequality rates, but several provinces in outer Java also experience above-average inequality rates. Newly-formed provinces in Sulawesi (Gorontalo and Sulawesi Barat) had low inequality initially but picked up pace rapidly afterwards. The highest rate of inequality can be found particularly in the eastern part of Indonesia.

From Figures 1.2 to 1.5, it can be crucially assumed that although there have been significant changes in terms of poverty and inequality, one can still be intrigued by the actual impact of decentralisation and democratisation, having seen the uneven progress of development.

1.6 Structure of the Thesis

The novelty of this thesis lies in its application of statistical techniques to the newly emerging data set from Indonesia ranging from household surveys to regional administration records. In addition, the application of qualitative analysis is expected to provide the comparative information from the ground. In order to showcase the value added by applying recent methodological advances to research on fiscal decentralisation, influence of local democratisation, and its impact on SP, this thesis is presented in five parts and seven chapters. The outline of the remaining chapters is as follows. Part One

(Chapters 1 and 2) draws the conceptual map of this thesis, including motivational background, objectives, research questions, scope of the study, stylised facts, and the context which explains historically the development of decentralisation and democratisation in Indonesia. Part Two (Chapter 3) provides the literature review for theories and evidence revolving around decentralisation, democratisation, and SP with specific reference to Indonesian development after the AFC. Part Three (Chapter 4) details the methodology used in this thesis, which covers several aspects such as developing questionnaires, methods of data collection, determining study sites, the selection of respondents, and method of analysis. Part Four is made up of two chapters (Chapters 5 and 6) which expound the results, mainly exploring the link between decentralisation, democratisation, and SP using secondary data from the INDO-DAPOER repository and primary data from interviews. The last section, Part Five (Chapter 7) concludes, outlining the answers to the research questions, and ultimately drawing some lessons from the study.

Chapter Two: The Indonesian Context

2.1 Country profile

Consisting of approximately 17,000 islands extending from Aceh, the westernmost province, until Papua on the tip of the east, Indonesia is by far the largest country in the Southeast Asia region (1,919 km²). In terms of population, it has around 250 million residents (estimated from the result of Population Census in 2010) with an increasing middle-class segment (McDonald, 2014). Considering the vast population size, the country features enormous diversity in its economy, ecology, ethnography, demography, and many other characteristics. From its inception in the early 20th century, the policy and intellectual paradigms in Indonesia have been reflecting this diversity. It is the key sentiment in the national motto, 'unity in diversity' (*'bhinneka tunggal ika'*) which aptly reflects Indonesians in viewing the preservation of territorial integrity and national unity.



Figure 2.1 Map of Indonesia

As in the other large nation-states, Indonesia had tried and repeatedly forged a workable set of arrangements governing administrative, political, and financial relations between the central government and its subnational authorities. Before the present form of unitary state, the arrangements have administratively varied from strongly centralist to *de facto* federalist. Hosting the largest Muslim population in the world, the influence of Islamic laws does not necessarily appear in the regulations except for specific matters in certain regions. Similarly, regions with significant non-Muslim populations (Bali, Papua, and East Nusa Tenggara for Hindunese, Christians, and Catholics, respectively) do not necessarily adopt their religious laws into formal regulations.

With the dynamic progress of nation-state building, there are elements of continuity and change in Indonesia's regional development. The most discernible continuity is the very large gap in living standards and economic structure between regions (Dick, Houben, Lindblad, & Wie, 2002). The western part of the country is generally more dynamic, developed, and richer than the east. As the centre of this vast growth —generating 60 percent of GDP—, the island of Java continues to prosper, driven mainly by the most dominant urban conurbations. Alas, progress is evident towards economic convergence albeit in lacklustre motion (H. Hill, Resosudarmo, & Vidyattama, 2008).

Indonesia's social trajectory was considerably more ambiguous than neighbouring countries in Southeast Asia, involving long periods of authoritarian rule combined with policy directions that at times, and for significant numbers of the rural poor, contributed to greater inclusion. This chapter summarises important milestones which are related to the subjects discussed in this research. Looking at various fields of study, there are three areas of literature considered important for elaboration i.e. local politics, decentralisation, and SP.

2.2 Political Developments

The political and administrative systems have undergone major transformation since the nation's independence. Having suffered extreme deprivation and poverty for a long time, the greatest concern of Indonesian masses after revolutionary struggle was with their day-to-day existence: the basic needs for, food, housing, employment, education, and health care (Booth, 2010). Beyond a general commitment to replacing Dutch colonial rule with Indonesian rule, they had no clear notions about the nature and the prospects of their independent polity. Politics did not develop as a science as much as an art of providing effective government and administration, taking the necessary hard and unpopular decisions, producing rapid social and economic change, maintaining national discipline and a devotion to hard work, and enhancing national unity and ethnic peace and harmony.

The critical point in political development is that throughout the existence of Indonesian political parties, they had failed to develop into modern political institutions and effectively play the important functions that they are expected to perform (Ramage, 1995). In other words, they had functioned mostly as factions and cliques. The very first democratic election was rolled out in 1955, yet it was then reversed completely into a total authoritarian regime in 1959. The situation changed abruptly after 1965, but democratic values seemed to be suppressed for the next three decades. Later, the situation changed profoundly in 1998, involving a series of rapid transformations in the political system. Fair elections took place in 1999 when 48 political parties participated. The values of democracy, transparency, and open participation were seemingly ready to be established.

Historically, decentralisation has been a difficult political problem in Indonesia from the establishment of the country. It has been the focus of the conflict between those who view it as a method of spreading the organisation of the central government and leadership to all parts of the country, and those who view it as a method for accommodating regional differences, regional aspirations, and local demands within the confines of the unitary state (Maryanov, 1958). The conflict became confused with wider issues, and reached critical proportions when it erupted in rebellions and armed conflicts between 1958 and 1961.

2.2.1 Pre-Independence Period (pre-1945)

Indonesia before independence was almost always associated with Dutch East Indies, a large colony of the Netherlands. However, it was not really a single entity before the arrival of the Europeans in the 13th century (Ricklefs, 2001, p. 25). It could hardly have been imagined that Indonesia could become a country of its own. Signified by rulers and customary (*adat*) laws (Lukito, 2013, pp. 15–17), there were traditional small kingdoms scattered all over archipelago. The rulers held absolute control of its territory with only a close circle able to influence policies. Society was stratified based on the hereditary caste system which inhibited people from climbing the ranks (Sutherland, 1973, 1975).

With the presence of Dutch and European settlers, laws were soon influenced heavily by the Dutch-governed administration. Local administrations were officially started by the enactment of the law on hierarchical order regional governance in 1822 (*Regelement op het Beleid der Regering van Nederlandsch Indie*). This umbrella law did not acknowledge the concept of decentralisation, instead the order of command was set under the centralised system which was divided from *Gewest* (*residentie*), *Afdeling*, *District*, to *Onderdistrict* (Nurcholis, 2005, pp. 105–106).

In 1903, for the first time the Dutch colonial government issued *Decentralisatie Wet* (*Staatsblad* No. 326) as an early foundation of regulations on decentralisation (Woesthoff, 1915). The law made possible the establishment of actual regional government but still under the administration of colonial government. However, the scope of this regulation was limited only for the regions in Java and Madura. Even with the high degree of power accumulation from 1910, the Dutch created the most centralised state power in Southeast Asia (Friend, 2003).

As summarised by Legge (1961), in the periods before 1903, all territories in Dutch East Indies were centrally administered under the full control of the Governor-General as the highest representative of the Dutch Empire and Monarch in the colonised land. Besides, the local administrations (*swapraja*) held by indigenous leaders were still maintained as legal institutions. These leaders governed their regions based on political contracts signed by representatives of the Dutch Government (Adams,

1996). The contract assigned local leaders to run routine administration and specific tasks in the name of the colonial government (pp. 14-15).

As explained by Hudoyo et al (1998), the implementation of the 1903 law was soon followed by the establishment of the Regional Council in 1905 after the enactment of *Decentralisatie Besluit* (*Staatsblad* No. 137) and *Locale Raad Ordonantie* (Stb. No. 131). The council was given exclusive rights to generate local revenues in order to fund local administration. The members were selected from local prominent figures, though the head of executives (Governor, Resident, and Bupati) were appointed by the central government.

In 1922, the colonial government managed to restructure local administrations whereby Java and Madura managed to form autonomous regions namely: *Provinsi* (Province), *Kabupaten* (Regency), and *Kotapraja* (Municipality) (Benda, 1966, p. 594). In addition, there were newly formed regions established under the previous decentralisation law under the control of Resident in Palembang and West Sumatra; and the formation of *kotapraja* in regions outside Java such as Palembang, Padang, Medan, and Makassar (Maryanov, 1958).

Further, the reorganisation law in 1922 ('*Administratief en Financiële Decentralisatie*') also devolved authorities to the Governor and Dutch officials as the colonial government state apparatus to perform 'deconcentration' duties and broader autonomy functions (Jaya & Dick, 2001). In a similar way, *Bupati* and indigenous leaders (*pangreh praja*) were allowed to exercise broader authority (Lev, 1985, p. 59). In hindsight, the colonial government seemed to gradually delegate administrative power to the locals (Benda, 1966). However, important authorities were still taken by Dutch officials working in colonies, until the invasion of Japan in 1942.

Discussion on the decentralisation regulations during Japanese occupation is mainly based on Wignjosoebroto (2004). Basically, the Japanese military administration decided to maintain centralised rule, which was divided into three main regions:

- a. Java and Madura, controlled by 16th Commander of Japanese Army based in Jakarta
- b. Sumatra, controlled by 25th Commander of Japanese Army based in Bukittinggi
- c. Other eastern islands, controlled by Commander of Japanese Navy, based in Makassar

The highest authority in this military occupation was held by an assembly of Japanese senior military officers ('*Saikoo Sikikan*'). Basically, the civilian version of the administration resembled much of the Dutch structure with only nomenclature changed into Japanese terms (Shigeru, 1996). Whilst the positions of Resident and Regent were preserved, the Japanese colonisation regime decided to remove the Province (and its Governor), and *Afdeling* (and its Assistant Resident). The deconcentration of routine tasks in Java and Madura were designated to the following order:

- a. *Syuu (Karesidenan)*, headed by *Syuu-Cookan* (Resident)
- b. *Si (Kotapraja)* headed by *Si-Coo* (Mayor)
- c. *Ken (Kabupaten)* headed by *Ken-Coo* (Regent)
- d. *Gun (Distrik)* headed by *Gun-Coo (Wedana)*
- e. *Son (Kecamatan)* headed by *Son-Coo (Camat)*
- f. *Ku (Desa)* headed by *Ku-Coo* (Head of Village)

Within this period, the principle of decentralisation was considered later when the Japanese army struggled and was cornered in fighting Allied troops by the latter half of 1945. The revitalisation of regional councils was meant to cultivate public sympathy and mass support. Three regional councils were set up, namely Central Council ('*Cuoo-Sangiin*'), Residency Council ('*Syuu-Sangikai*'), and Municipal Council ('*Tokubetsu Si Sangikai*'). Nevertheless, this initiative was short-lived as Allied forces eventually defeated the Japanese defence system with a massive bombing operation. The event became an important milestone for Indonesian nationalists to proclaim their independence and move forward to prepare for a new administration.

2.2.2 Revolutionary and Nation-building Period (1946-1965)

When the Japanese troops finally left in 1945, the Indonesian leaders faced the immense task of rebuilding a country. Until 1949 Indonesia was still at war with the Netherlands, which had attempted to re-conquer as a colony after losing it during World War II. Despite the prolonged conflict, the newly formed government took on the task of attempting to form an early skeletal system of governance.

One of the most important tasks was finding a model for managing the relationship between the centre and regions. At that point, a unitary model was preferred by the founding fathers (Ricklefs, 2001, p. 258). However, the desire to give more freedom to the regions to run their own affairs was also surfacing. This aspiration was clearly stated in Article 18 of the 1945 Constitution, allowing the regions to run their own administration under a unitary system. In other words, the principle of decentralisation has a constitutional foundation hitherto in Indonesia.

After the new republic was proclaimed in 1945 and the transfer of sovereignty was fully completed in 1949, the country was marred by a series of events which led to instability. The period following the formal transfer of power at the end of 1949 is widely considered as the beginning of the dark age of the Old Order (*Orde Lama*) representing an *interregnum* of fifteen wasted years. Much of the discussion on decentralisation and democracy during this period is summarised by Vasil (1997).

During the early independence period, the government introduced Law No. 1 Year 1945 and Law No. 22 Year 1948, aiming to create a formative model for centre-region relations that would provide more freedom to the regions to run their own affairs (Legge, 1961, p. 26). Ironically, these regulations failed to be implemented effectively because of Jakarta's lack of power and due to the political uncertainty resulting from the war of independence (see Kahin, 1985).

These laws were introduced within the ongoing debate over which model of local governance would best suit Indonesia. Two models were discussed during this very crucial period: a unitary system and a federal one. The first was supported by the *de facto* republican leaders and military leaders (Feith, 1962, p. 596). Their view was that because Indonesia is a diverse society in terms of people and culture, and is also an archipelagic nation, a unitary system with a strong government in the centre was important (Kahin, 1985, p. 282).

The alternative, federalist model was supported by those who lived in the former Dutch-created United States of Indonesia (Reid, 2010). Their view was that the unity of Indonesia could only be preserved if it adopted a system of governance which would allow the regions to establish their own government and administrative institutions (Legge, 1961, pp. 7–8). When the war ended at the end of 1949, strong opposition to a federal system grew because this was the system that had originally been imposed by the Dutch and hence it was perceived as a part of the strategy to break the unity of Indonesia. Undoubtedly, the perceived colonial roots of federalism have left a bad taste for any constructive debate about the strengths and weaknesses of a federal system in Indonesia since then (Feith, 1962, pp. 58–59).

Based upon its extreme ethnic diversity and the insular nature of its territory, independent Indonesia faced a paramount problem of state building. The first constitution was hurriedly drafted and lacked any detailed provisions and consisted mostly of broad principles. It was clearly considered as provisional at the time (Ricklefs, 2001, p. 285). Later, the Dutch then insisted on having a constitution based on negotiations with nationalists so that they could view it before handing over power to the Indonesians.

The short stint of federalism was the result of the revised constitution in 1950. With a group of states (*negaras*) formed in several regions, the Dutch made their objective of giving themselves the foothold and prolonging their own influence. The framework of the Indonesian polity was designed in circumstances that scarcely allowed nationalists to relate it to the social, economic, and educational reality of their country. Instead, the constitution had prominently reflected Western experiences and norms based upon the political cultures of Western societies. The short-lived idea of a federal state was then also supported by the first Vice President, Mohammad Hatta (Feith, 1962, p. 543).

During the parliamentary democracy period in the 1950s, Indonesia experienced an exciting but also confusing period. It was in this period that decentralisation was finally rejuvenated. Jakarta introduced Law No. 1 Year 1957 on Local Governance (*Pemerintahan Daerah*), which gave more freedom to the regions to run their own affairs including electing their own leaders and managing their own money (Legge, 1961, p. 27). However, this law was enacted in the midst of political uncertainty and repeated failures of the parliamentary government in Jakarta, which created a sense of disunity and political instability in Indonesia. The intense ideological conflicts among major political parties, combined with regionally based rebellions orchestrated by local military commanders made it impossible to implement the law (Ricklefs, 2001, pp. 318–320).

The Old Order represented two periods that could be clearly defined, but were not significantly different: Western liberal democracy in 1950-1959 and the Sukarnoist 'Guided Democracy' in 1959-1965, which can virtually be seen as parliamentary democracy turned into authoritarian (Ricklefs, 2001, p. 312). Both variants of democracy achieved little with regard to promoting social and economic change, progress, and national unity. The differences between the two related mostly to their political institutions, processes, styles, and rhetoric of their leaders (Bunnell, 1966).

Most Indonesians in this period were deemed incapable of exercising their role as citizens. Undeniably, with their low education, they lack understanding of the concept of Western liberal democracy, including its institutions, and processes. However, surprisingly, the first parliamentary election in 1955 had over 91 percent turnout (Ricklefs, 2001, pp. 303–304). This fact demonstrates that in the absence of its socio-economic prerequisites, public interests expect a reform through established democratic mechanisms.

Half-way through the period of the Sukarno administration (1950-1967), formal power was concentrated to a phenomenally high degree with regional heads of assemblies all being appointed by the president (chronological details of events can be seen in Feith, 1962; Feith & Castles, 1970). However, it has been suggested that form and substance did not coincide and that a *de facto* federalism actually prevailed. In 1958, several key leaders from the parliamentary period gathered in West Sumatera to form an alternative government. Their rebellion was not secessionist in nature because their main aim was to formulate a new constitution which gave the regions greater autonomy, making Indonesia in effect a federal state.

As clearly told by Booth (2016a), the unjust arrangement of governance towards non-Java regions caused complaint mainly from resource-rich regions. Their role as the main contributors of the nation's wealth made them in the position to demand for greater authority. These grievances then pushed the issue of regional finance to an investigation in the mid-1950s led by M. Nasroen from the

Department of Home Affairs, and composed of fiscal experts from various government agencies. However, the Nasroen proposals were vehemently criticised by Paauw (1960, p. 411) because they did not seem to simplify the tax structure let alone solving the problem of an extremely complex administrative system. Much of the critics pointed out that most taxation authorities assigned to local governments were never going to yield much revenue.

In spite of these criticisms, most of the recommendations from this committee were later adopted in Law No. 32 Year 1956. This law did cause some changes in important concessions to the regions for both income taxes and foreign trade taxes to be shared between the provinces and the central government (Booth, 2016b, p. 49). However, as pointed out by Legge (1961, p. 193), implementation of this law was slow even before the reversion of the constitution in 1959.

With this political constellation, Sukarno declared a state of emergency in 1959, ending the parliamentary democracy period in Indonesia (Bourchier & Legge, 1994). Returning to the original 1945 constitution, parliament was abolished and the legal decisions of the parliament, hence annulling Law No. 1 Year 1957. With this, Jakarta's willingness to support decentralisation ended. Indonesia then returned to a centralist political system, a system that Sukarno and the military believed could serve the unity of Indonesia (Legge, 1961, p. 204). During this Guided Democracy period (1959–65), Sukarno governed Indonesia in a dictatorial fashion, styling himself as the 'father' of the Indonesian nation (Crouch, 1979). Sukarno used every means to assert Jakarta's dominance over the regions.

The return to the original 1945 constitution combined with the military campaigns against rebellions in regions outside Java created a hostile environment where the centre had little appetite for further reform of centre-region financial arrangements. Mackie (1980, p. 674) argued that by the early 1960s 'a politics of manipulation and compromise replaced the earlier confrontational pattern of politics' so that the country managed to subdue the regional rebellions to a great extent. As public finance deteriorated, grants to the regions diminished in real terms, making provincial and local governments to find their own way, dismissing regulations from central government is one of the means to express dissatisfaction (Booth, 2014, p. 31). Prolonged turmoil, violence, and the incapability of the central government to handle issues in the regions brought the Sukarno administration to the end of their regime. In addition, mismanagement of the economy further exacerbated the situation (Prawiro, 1998). The vast majority of the Indonesian population faced extreme hardship brought about by massive unemployment, acute food shortages, and raging hyperinflation.

The end of the Old Order became apparent with the event of a controversial failed communist *coup* and its ensuing extermination, causing a bloodbath in regions where the communist party had

previously taken hold (Cribb, 1990). Eventually, Suharto managed to take over the administration smoothly by March 1966 and was officially appointed as President on 27 March 1968.

2.2.3 New Order Period (1966-1998)

After a series of violent events in 1965-1966 and the demise of Sukarno, the New Order managed to pave a new way which pointed to a long period of power recentralisation. Not long after Suharto's New Order era was formed, the newly-appointed president maintained a highly centralised framework of political power and authority in which Jakarta controlled the purse and made most decisions for the regions to implement (Booth, 2014, pp. 33–41).

The New Order regime appeared to emerge out of the chaos and massacres of 1965, following an 'attempted coup' by the Communist Party (see details in Anderson, McVey, & Bunnell, 1971). Several months of blood-letting events followed the spectre that the communists were trying to take over Indonesia, and out of this threat and the ensuing chaos was born a regime based on fear, and the created need for order and stability. Subsequently, the New Order government ruled, in what Gerry van Klinken characterises very aptly as a 'state of emergency' (2007, p. 62) for 32 years, where danger was believed to be ever present and where it was suspected that the masses hid potential enemies. The populace was also presented as a source of latent chaos and anarchy. The only hope for security, order and stability was a firm state and a highly centralised regime (Wie, 2012a).

Major-General Suharto stepped in to establish the New Order government in 1966 with solid support from the military, the middle class, and elements within the Islamic community later in 1990s. From his military background, Suharto was familiar with the accumulation of power, and the idea of having a strong government appealed to him (Ricklefs, 2001, p. 345). This kind of government was needed in order to accomplish Suharto's immediate tasks in the early days of his power: providing political stability and rehabilitating the Indonesian economy. Suharto established a centralised political structure in which he had full control over three important institutions: the military (ABRI), the bureaucracy (especially the Ministry of Home Affairs) and the ruling party Golkar⁵ (*Golongan Karya*, lit. group of professionals) (K. Ward, 2010). Through these institutions, Suharto also established a system of political patronage linking him directly with regional political leaders. In addition, Suharto used the

⁵ *Golongan Karya* (liberally translated as *functional groups* and popularly abbreviated as Golkar) is a concept introduced by the New Order government as a new force comprising loyalists of Suharto representing every sector of society, military, labourers, and professionals to channel their aspirations in politics. In theory, Golkar would have to contest elections in the same way as any ordinary political party, but in reality it had unparalleled resources with which to coerce voter support.

state philosophy of *Pancasila* (ironically conceived by Sukarno) as the ideological basis for the New Order (p. 373).

In that period, political re-centralisation created a stable regime but it began to create concentration of power which eventually ended up in a corrupt system. Chastened by the disastrous failure of Western liberal democracy as well as Sukarnoist guided democracy, Suharto and his loyal colleagues were only willing to accept a limited and managed democracy that is expected to work and produce rapid social and economic advancement. One of the main priorities of this democracy is to fix economic problems, and thus hyperinflation was tamed almost immediately. The success of economic policies is elaborated in detail by Wie (2012b).

A summary of budget posture during the New Order and its comprehensive analysis can be found in MacAndrews (1986). The book discusses how the budget focused on strengthening sectoral purposes with little attention to regional needs. At the rural level, Suharto created his own channels through which he could deliver presidential funds (known as *Bantuan Presiden*—Banpres) directly to farmers throughout rural areas as a way of rewarding those loyal to him in Jakarta. In order to strengthen Jakarta's grip over power in the regions, the New Order government introduced Law No. 5 Year 1974 on Local Governance (*Pemerintahan Daerah*) and later Law No. 5 Year 1979 on Village Governance (*Pemerintahan Desa*).

From the time he took power, Suharto believed that unless the economy was set right, living conditions improved, and economic opportunities were enhanced, it would be virtually impossible for them to create stable political order and to maintain the nation's integrity and unity.

The early Suharto's administration first introduced 'limited' decentralisation while preserving the unitary system (de Wit, 1973). This entailed a model of local governance in which Jakarta had veto power over the appointment of provincial and district heads and also over the allocation of financial resources to the regions. Law No. 5 Year 1979 aimed to ensure that there was uniformity in governance structure at the village level across Indonesia. These two laws basically denied the rights of the regions to manage their own affairs (Booth, 2005).

In line with the focus on social welfare improvement, Suharto took a stance on 'developmentalism' as a 'broad brush' strategy to reach economic growth (Cribb, 2010, p. 67). Having experienced huge advantages with the oil price rise in the early 1980s ('oil bonanza'), the Suharto administration had a large sum of development funds. The budget was then redirected to build basic infrastructure and start the early phase of industrialisation (Narjoko & Hill, 2010). Yet, the disbursement and control for project implementation was undertaken almost entirely in a top-down mechanism.

For the purpose of redistribution and to appease the demand from the regions, the New Order government had attempted to launch long-term pilot projects that seemed to delegate some development and planning functions during the 1970s (Azis, 1990). By 1980, about one-fourth of the total development budget through eight different programmes were channelled to regions, known as Presidential Instruction (*Instruksi Presiden* or Inpres) programmes (Perdana & Maxwell, 2011, p. 275). In addition, Law No. 5 of 1974 established the legal framework giving semi-autonomy to regional (i.e. provincial and district levels) governments.

As Indonesia became politically stable and entered the economic boom period of the 1980s and 1990s, rich regions such as Riau, East Kalimantan, Aceh, and then Papua, started to dispute Jakarta's excessive role in their local affairs. The highly centralised (and often militarised) political system, increasingly controlled by a small inner circle of elites in Jakarta, had left many people in the regions feeling frustrated, uneasy or angry about the strongly centralised state control (Honna, 2010). Tensions between Jakarta and the regions raised serious concerns among elites in Jakarta.

Along with the massive reform plan and his promise not to extend his presidency after 2003, it was generally believed that Suharto would make some further concessions to decentralisation before the crisis occurred but that centralisation would remain the dominant form and practice in government. Decentralisation finally gained wider political support in the lead up to the downfall of President Suharto in 20 May 1998. In fact, decentralisation was an important part of the reform agenda at that time proposed by the pro-reform camp in Indonesia (Edward Aspinall & Fealy, 2003, pp. 2–3).

The decision to form limited democracy had taken its toll on civil rights, controlling political aspirations. The situation was exacerbated with the prominent role of the military, conglomerates, and corrupt bureaucracy. Ultimately, the fragile foundation of the economy could not sustain the 'domino effect' of the Asian Financial Crisis (AFC) that began in 1997 (Iriana & Sjöholm, 2002). The monetary crisis unveiled the fragile foundation of the economy, shown by the immediate adverse impact to public welfare. Exacerbated by the failure to secure the situation, the distribution networks crumbled and led to a scarcity of groceries, which then led to uncontrolled chaos. The combination of political and economic crises was ultimately the cause for the end of Suharto's regime.

2.2.4 Reform Period (1999-2004)

To anyone's surprise, the situation changed dramatically after Suharto resigned two months after his re-election. This commenced the period signified by efforts and struggles to transform Indonesia's centralised autocracy into a decentralised, democratic state. The era of *Reformasi* had begun.

It was under Habibie's transitional government that the highly centralised political system was gradually dismantled. Within eleven months in office, Habibie introduced a series of political reforms, including releasing almost all political prisoners, creating a new electoral system, adopting human rights principles, allowing press freedom and also introducing broader autonomy for regions as well as referendum options for East Timor (for further details see Kingsbury & Budiman, 2001; Manning & van Diermen, 2000).

An interim government under President Habibie was established to manage the transition to popular democratic government. The new government, as if following the heavy wave of democratisation, produced a series of legislation in a relatively short period (Hosen, 2003). Among the many laws that were expedited through the House of Representatives (*Dewan Perwakilan Rakyat*, DPR) were two that had the potential to change the structure and operation of government radically. These were Law 22 Year 1999 on Regional Government and Law 25 Year 1999 on the Fiscal Balance between the Central Government and the Regions. Both laws effectively reversed almost four decades of centralism and authoritarianism (Silver, Azis, & Schroeder, 2001). Whilst the laws were successfully promulgated in 1999, the implementation had to wait until 2001 largely due to the process of dissemination and the preparation for general election.

The implementation of regional autonomy laws (*Undang-Undang Otonomi Daerah* in January 2001 brought a great deal of hope to those in Indonesia who had been crying out for reformation of the government and the laws. The highly centralistic government of the New Order, which kept close control over the use of resources, was increasingly seen as exerting a stranglehold on the lives of the Indonesian people. Especially outside Java, there were many who felt that they had never really enjoyed the fruits of 30 years of New Order, but instead bore the brunt of corruption, collusion, and nepotism.

Evidently, legislatures were dominated by groups that intended to create considerable reform in all sectors whereas groups that still wanted to maintain the *status quo* began to diminish. The main stream pushed for reform. Enormous achievements could be seen in the removal of military seats in parliament and the reduction of their roles within society (Honna, 2003; Mietzner, 2006). The situation created unfavourable outcomes for military group. Allegedly, soon after the decision was decreed, some splinter groups within several military units joined local gangsters or militia to spread riots. Violence erupted in big cities mainly outside Java (van Klinken, 2007).

Indonesia's sense of vulnerability to secession was exacerbated by President Habibie's early decision to allow what amounted to a referendum in the troubled province of East Timor on the issue of independence (Anwar, 2010). East Timorese voters, including both Indonesians who had settled in the

province and the large East Timorese diaspora, were invited to cast a verdict on a proposal for far-reaching autonomy for the territory. In the event, the vote on 30 August 1999 was overwhelmingly in favour of independence (78.5 percent) with a turnout of 98.6 percent (Schulze, 2001).

Following considerable reform to political regulations, new political parties consequently emerged. With various background and motifs, as many as 48 political parties participated in the new-format general election on 7 June 1999 (Liddle, 2000). *PDI Perjuangan* (as a political vehicle of Megawati, the major opposition of the previous regime) clutched 33.74 percent of winning votes. However, engaged in intense negotiations, the coalition of Islamist-nationalists succeeded to block Megawati from presidency and elected Abdurahman Wahid —conventionally known as Gus Dur— (pp. 35-38).

During the Gus Dur administration (1999–2001), Laws No. 22 and 25 Year 1999 were introduced to the public, with the deadline for implementation of these laws set for January 2001. In this period, there was intense debate among the political players in Jakarta about the merits and disadvantages of decentralisation (see the opinions of experts summarised in A. L. Smith, 2001). One of the most important players was the Ministry of Home Affairs (MoHA). This ministry had been the bastion of the unitary system during Suharto's New Order and was controlled by powerful civilian bureaucrats and ex-military personnel. With the implementation of both regional laws, the role of MoHA would be curtailed, and thus not everyone within the ministry was happy about limited functions (Crouch, 2010, pp. 103–106). Further, decentralisation would require the transfer of governance from Jakarta to the regions, thus dismantling the privileges that had been enjoyed by the ministry in the past.

Although Gus Dur was able to push for deeper reform in many avenues, he did not manage to reconcile his strife with the parliament and military. Therefore, with a little manoeuvring, the legislatures called for a Special Session and decided for his impeachment (see the details in Barton, 2002). His short-lived presidency, which lasted less than two years, was continued by Megawati until her administration ended in 2004.

The rise of President Megawati in 2001 influenced the way in which Jakarta implemented decentralisation. Megawati had the strong nationalistic view that the unity of Indonesia (*Negara Kesatuan Republik Indonesia*, NKRI) must be preserved. Therefore, she would not hesitate to reverse the policies of decentralisation if they were to endanger the unity of Indonesia. It is in this context that the idea of revising both Laws No. 22 and No. 25 Year 1999 is frequently debated among political players in Jakarta.

At the implementation level, both decentralisation laws hindered efforts to harmonise the working relationship between the district, provincial, and national levels of government. Even worse, different

regions interpreted the law differently, leading to confusion as different regions issued local regulations that contradicted each other and the national regulations.

As the new president, Megawati and her team reviewed many concepts previously proposed by Habibie and Gus Dur, although for matters on decentralisation she seemed to push even further with the revision of decentralisation laws. In addition, she was also concerned with materialising the concept of the welfare state. In this case, she hurriedly proposed that the Law of Social Security enacted before the election on 5 July 2004 (Arifianto, 2006). In essence, the law urges for reform in social insurance, pensions, and jobs-related security, but it was drafted without proper consultation and seemed to be prematurely passed in legislation in order to boost support prior to the election.

Before Megawati ended presidential office, she eventually had made substantial amendment on the arrangement of devolution with the enactment of Law No. 32 and No. 33 in 2004 (Booth, 2005, pp. 209–210). The revision clarified a number of issues which have been made points of contention, including:

- a. Ambivalent status of province as an autonomous and administrative region.
- b. Biased towards rich-resource regions.
- c. Absence of constitutional checking mechanism to safeguard local administration.
- d. Inconsistency within decentralisation regulations.

2.2.5 Consolidation Period (2004-present)

The new period of democratisation was marked with the newly designed general election in 2004. The amendment of the constitution in previous years laid the groundwork for the process of election reform. Both legislative and presidential elections were directly held simultaneously for the first time (Liddle & Mujani, 2005). Senators, who are introduced at the first time in this type of election, were elected on a non-partisan basis. Because all the seats in the high assembly (*Majelis Permusyawaratan Rakyat*, MPR) were directly elected, this called for the removal of the military from the legislature, whose 38 seats were previously allocated. Nevertheless, this sophistication did not change the electoral pattern much and the turn out rate was found to be relatively high (84 percent).

Whilst the administration periods of Gus Dur and Megawati were disrupted by instability within the high assembly, consolidation seemed to begin after Susilo Bambang Yudhoyono and Jusuf Kalla were elected as President and Vice President, respectively (p. 121). Political parties set about building a coalition to reach their objectives and mainly to put their men into the cabinet. The election process

itself was considered peaceful and the result was then accepted as the success of democratic restoration. Arguably, the normalisation of democracy began to take place in 2004.

In 2004, the Indonesian people experienced the first opportunity to really choose their national leader. The election of regional leaders followed the earlier move to directly elect the president and vice-president at the national level in 2004. This was seen as a major breakthrough in the democratisation process (for more details on the unfolding process see Kartomi, 2005; Sulistiyanto, 2004). The local elections (*pemilihan kepala daerah, pilkada*), are the most recent aspect of this 'transition to democracy', as well as an important furthering of decentralisation - that is the power of the local people to make decisions locally and choose their own leaders.

Pilkada, or the direct elections of regional heads, began in Indonesia in June 2005, and occurred in more than half of the regions of Indonesia in that year. With this democratic deepening, many believe it will reassure public participation in local democracy (Schiller, 2009).

These direct elections can then be seen as a new avenue for the contestation of local leadership as well as the emergence of an active citizenship in the development of local democracy. The first regional head elections saw the emergence of local leaders of various backgrounds, including politicians, former bureaucrats, former military officers, business persons, religious leaders, community leaders, academics, NGO activists, and also media personalities (Pratikno, 2009). In this sense, the *pilkada* opened up more opportunities for various personages to participate in the local leadership contest in the regions.

2.3 The Emergence of Decentralisation and Democratisation

After the AFC, Indonesia entered a new development phase that saw the fall of the authoritarian Suharto government and new governance which moved highly centralised policies and powers towards a decentralised process. The third wave of democratisation, as coined by Samuel Huntington in 1991 had finally reached Indonesia and brought plenty of ramifications. Ideas and aspirations that were long suppressed in the previous regime had erupted to the surface.

Just as significant in the political transformation of Indonesia was a programme of decentralisation which shifted responsibility for a wide range of administrative tasks from the central government to the level of *kabupaten* (district) and *kota* (city). Administrative devolution was initially a reaction to the New Order's high degree of centralisation and it was widely hoped that intuitively it would bring government closer to the people. Hence public could access services better than before. The decision to devolve power to *kabupaten* (2nd tier) rather than provinces (1st tier), however, was made

deliberately to diminish the risk that newly empowered regions might seek to break away from Indonesia altogether. In the atmosphere of political freedom following the fall of the New Order, people in many parts of Indonesia began to canvass the hitherto impossible idea of seeking independence from Indonesia (E. Aspinall & Berger, 2001; Cribb, 1999). Although serious secessionist sentiment existed only in the already dissident regions of East Timor, Aceh, and Papua, the wider talk of breakup seriously alarmed the Jakarta elite (Webster, 2007). For the most part, the motivation was attributable to the grievances of relative deprivation and inequality caused by the uneven distribution of resources carried out by the autocratic regime of Suharto (see the analysis of Tadjoeuddin, 2011).

At the outset, decentralisation appears to be well suited to the particular geography of archipelagic Indonesia. Given such diversity and vastness, it is reasonable to assume that the experiment of decentralisation can deliver an efficient, effective, and responsive mode of government. The early decentralisation laws: Law No. 22 Year 1999 and Law No. 25 Year 1999 (since revised as Law No. 9 Year 2015 and Law No. 33 Year 2004), had contributed significantly to the current arrangements. Early commentaries on the relative success of decentralisation, signified by the smooth transfer of civil servants from central to local government, are summarised by Indrawati (2001) and Brodjonegoro (2009).

These recent policies for decentralisation or regional autonomy need to be understood in a broader historical, political and legal setting. The question of whether Indonesia should be governed within a decentralised or centralised political structure is not a new one. Previously, the Dutch colonial government once introduced 'limited' decentralisation policies in 1903, 1905 and 1922 aiming to incorporate both modern and traditional elements in managing centre-region relations throughout Indonesia (Legge 1961, pp. 5–6). This structure was put in place, however, on the condition that the Dutch representatives would have full control over the government and administrative institutions including leaders at both the national and regional levels. When the Dutch left Indonesia in 1942, the Japanese occupation government not only inherited an already centralised political structure, but they further strengthened it because of their concern to exploit natural resources and to mobilise people for war against the Allies.

2.3.1 Policy Context and Process

In opting for a decentralised and democratised model of government, Indonesia seemed to be following a global trend. In the 1960s and 1970s, a large part of the international community had been a strong supporter of central planning. When that did not bring the desired developmental outcomes,

a new policy thrust was introduced which involved rolling back the state and relying more on the private sector.

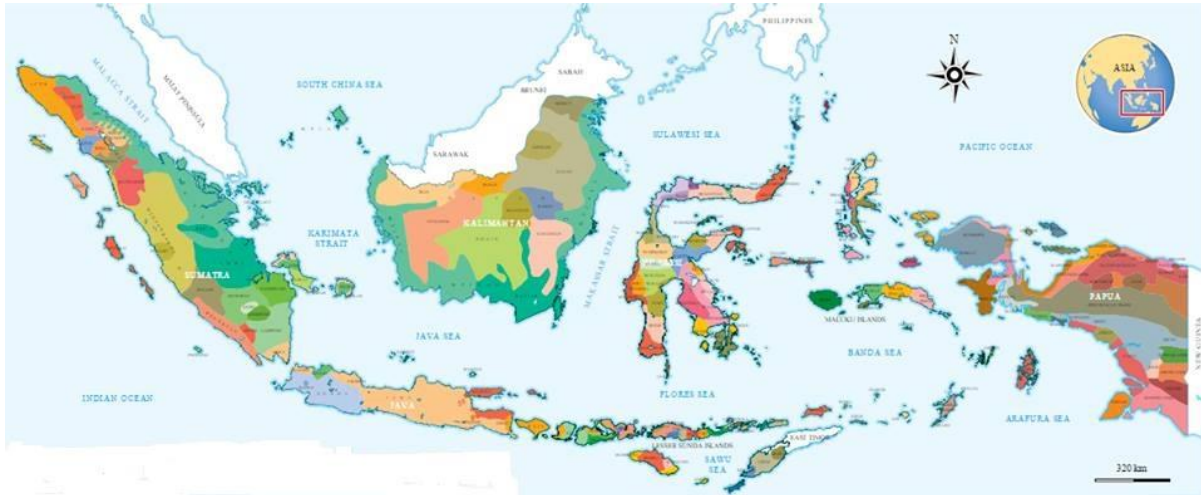
The decentralisation and democratisation process also raises serious concerns regarding the neoliberal agenda advocated by the coalition of domestic-based pro-reform camps and those of Western countries and multilateral institutions—such as the World Bank, the International Monetary Fund (IMF), the Asian Development Bank and the United Nations Development Programme—that have poured funding and technical assistance into various programmes in Indonesia (Crawford, 2003). These multilateral institutions see decentralisation as part of a global democratisation process that started during the 1990s. Moreover, they have their own interests to pursue in ensuring that decentralisation continues and remains ‘on track’ (M. S. Winters, 2012).

Decentralisation in Indonesia has been implemented together with other reforms and some of the ideas underpinning these reforms originated in the multilateral institutions mentioned above. Among these is the move to build a new legal framework and new institutions, to improve ‘capacity building’ as a prerequisite for decentralisation. so that the transfer of power, rights and responsibilities away from Jakarta to the regions will be enhanced by a strong legal and institutional base (Silver, 2005, pp. 96–98). However, external assistance is not always welcome, because political actors in both Jakarta and the regions have their own interests to pursue and to protect, which may not coincide with the agenda of these international agencies.

Many argue that a decentralised government or ‘federalisation’ is the most proper political arrangement for Indonesia due to its size and heterogeneity (Ferrazzi, 2000). In terms of geography and demography, Indonesia is considered very large. It consists of a surface area of over 4.8 million square kilometres of which 1.9 million square kilometres are land, broken into over 17,000 islands—13,667 of which are inhabited—that stretch some 5,110 kilometres from east to west and some 1,880 kilometres from north to south. In terms of population, Indonesia is large, but more importantly, it is very unevenly distributed. Of a total population of more than 250 million, 60 percent are living on the small island of Java, although which represents only seven per cent of the country’s land mass (see details in Statistics Indonesia, 2010).

Socially, Indonesia is also a country with marked contrasts. Although the Javanese have been the dominant socio-cultural group, there are in reality 300 or more other ethnic groups scattered throughout the country, each strongly influenced by their own traditions that dominate their local areas (see Figure 2.2). Religion is another source of diversity. In spite of the fact that most of the citizens are predominantly Muslim (by statistical records), Indonesia actually recognises no fewer than five other official religions - Protestant Christianity (with multiple denominations), Catholicism,

Buddhism, Hinduism, and Confucianism - all of which play a recognised and often influential role in Indonesian society. Given the size and heterogeneity of the country, it is very difficult for the central government to understand and govern effectively. Therefore, it seems logical that some functions of government should be devolved to the local people through the setting up of representative local governments.



Source: Kartapranata and Statistics Indonesia (2010)

Figure 2.2 Distribution of Ethnicities in Indonesia

2.3.2 Democratic Politics and Public Participation

If we look at Indonesian political history, this has not always been the prevailing view on decentralisation. There is an opposing argument that the size and heterogeneity of the country could lead to fragmentation and the accentuation of disparities, which might constrain policies of political decentralisation. Geographically, the archipelagic nature of the country creates difficulties in communication between areas of the country, highlighting their isolation and differences. Diverse languages, traditions, religions and cultures, regionalism potentially might have a greater influence on society than the sense of nationalism. Therefore, it is not surprising that Indonesia has witnessed a changing pattern of relationships between central and local governments throughout its history.

From the independence of the country, the newly established government had experimented with decentralisation. Laws on local government stipulated in 1948, 1949, and 1957 promoted autonomy and local democracy. However, in 1959, a presidential decree moved to a centralised system of government that was applied throughout the remaining years of Sukarno's government (Tinker & Walker, 1959).

The subsequent government took a similar policy option. Inheriting a chronic economic crisis from the previous administration, the Suharto government in its early years prioritised economics reform above political development, and as a consequence emphasized political stability rather than political freedom (Edward Aspinall & Fealy, 2010, pp. 4–5). More importantly, it rationalised the use of an authoritarian government to carry out these economic tasks.

Indeed, the 1999 decentralisation policy was the result of public political pressures that the central government was unable to refuse or escape. The political legitimacy of the Habibie government, the political environment that limited the use of military coercion, and the economic crisis all undermined the political authority of the central government. The inability to maintain a highly centralised government meant the government had to adopt a decentralised system of government. Therefore, the sustainability of the decentralisation policy is not a *fait accompli*, but rather a product of political bargaining between local and national political powers in the years to come.

As part of the decentralisation and democratisation process, the heads of provinces, *kabupaten* and *kota* have been directly elected from 2005, rather than being chosen by the provincial, district and city councils, with strong input from the centre, as under the New Order. It is interesting to reflect comparatively from the view of the Philippines' experience in implementing a direct electoral system within the context of decentralisation which results point towards increasing 'bossism' and personality-oriented politics (Törnquist, 1999).

A significant turning point was decided in parliament in the very last month of Yudhoyono's presidency (September and October 2014), the abolition attempt of direct local elections overshadowed many other developments related to decentralisation, not least because of the very high symbolic value many Indonesians attach to this particular feature of democracy. Regional autonomy has long been a thorn in the side of the central government. Especially in Yudhoyono's second term, efforts to weaken the districts and cities intensified (Tomsa, 2015, pp. 170–172).

2.3.3 Designing Organisations for Autonomous Governments

Regardless of the reasons behind the decentralisation policy, Law No. 22 Year 1999 has introduced quite a significant change in national political arrangements by decentralising considerable authority to local governments. According to this law, the authority of the national government is limited to five public arenas: international affairs, defence, monetary policy, religion and the judiciary (Seymour & Turner, 2002, p. 38). This policy is then secured by the central government regulation No. 25 in 2000, which lists in detail all kinds of activities and authorities that belong to the central and provincial

governments (Rasyid, 2004). Other activities and authorities that are not on the list fall into the hands of the district and municipal governments.

The new decentralisation policy provides more autonomy at the district and municipal levels than at the provincial level (Alm, Aten, & Bahl, 2001). The provincial government, according to the law, is given authority to deal mostly with matters that cross district or municipal boundaries. It is also mentioned that the district and municipal governments are not subordinate to the provincial government. The position of the provincial government as the central government representative through deconcentrated power is also limited. Therefore, field administration agencies (*dinas*) or central government offices at the provincial level (*kanwil* or *kantor wilayah*, the branch of ministry at the local level) are now limited to the five areas that the central government still controls, while field administration agencies for other matters at the district and municipality level have been dissolved (Booth, 2003, p. 194).

This new arrangement of central and local relations has strengthened the political position of the district and municipal governments. Besides having greater authority devolved to them, the formal position of the district and municipal governments is stronger due to the abolition of their position as deconcentrated agencies (Alm et al., 2001, p. 85). As the district and municipal government no longer see themselves as the subordinates of the provincial government, the latter often has difficulties in communicating and coordinating with them (Firman, 2009, p. 154).

2.3.4 Fiscal Decentralisation and Regional Developments

The enactment of decentralisation laws inadvertently created incentives for regional splitting or proliferation⁶. The number of subnational administrative units is large and increasing rapidly. Over the period 1998-2015 the number of provinces rose from 27 to 34, the number of districts (*kabupaten*) from 249 to 416, the number of municipalities (*kota*) from 65 to 98, the number of sub-districts (*kecamatan*) from 4,028 to 6,793, and the number of villages (*kelurahan*) from 67,925 to 79,075.

There has also been decentralisation, to a certain extent, in terms of financial resources, as set out in Law No. 25 Year 1999 on central-local financial relations. While in the past there were no provisions in the law to allocate block grants, this law now stipulates that 25 percent of national revenue should be distributed as block grants to the local governments. Of the total, 10 percent is allocated to all the

⁶ The process of territorial change occurring in Indonesia today, dubbed *pemekaran wilayah* (regional blossoming) or *pembentukan daerah* (new region formation), refers to the splitting or dividing up of provinces, districts, and sub-districts into multiple new territorial administrative units (Booth, 2011; Kimura, 2013, p. 10; Pierskalla, 2016).

provinces and the remaining 90 percent is given to all the districts and municipalities (E. Ahmad & Mansoor, 2002).

Another important change is the introduction of sharing between central and local governments of revenues generated from natural resources such as oil and gas (Fitriani, Hofman, & Kaiser, 2005, p. 61). While in the past only property tax was shared between the national and local governments, now a district producing oil receives six per cent of the total revenue generated from this source, while the provincial government also receives similar share. The provincial, district and municipal governments also receive other sharing revenues.

The implication of this policy is clear, the regions that are rich in natural resources, such as East Kalimantan, Riau, West Papua and Aceh, increased their total budget significantly in 2001. The hope was that this policy would reduce political tensions. However, the cases of West Papua and Aceh provinces, in particular, were much more complex than just fiscal problems. The two regions were still dissatisfied and have demanded independence. In 2000, the central government decided to give 'special autonomy' to Aceh and West Papua (Malley, 2002, p. 128). By this special treatment, the two provinces were given a higher degree of autonomy and a larger financial allocation.

As a result of these increases, subnational expenditures now makes up about half of consolidated government expenditure, net of interest payments and subsidies. Not only is the flow of funds to subnational governments large, but the use of these fungible funds is mostly unrestricted. Over 90 percent of subnational government revenue comes from central government transfers, with the General Purpose Fund (*Dana Alokasi Umum*, DAU) contributing about 60 percent of the total (Hofman, Kadjarmiko, Kaiser, & Sjahrir, 2006).

2.3.5 The Lessons and Prospects

Coinciding with the abrupt transition from authoritarian to democratic rule, Indonesia had transformed the shape of nation-state immensely. More than a decade after the introduction of 'reformasi', it is therefore timely to examine how effective the changes have been, and how they have affected Indonesian development.

Indonesia's decentralisation and democratisation process have been plagued by many protracted problems, from corruption to chaotic implementation. These weaknesses have been extensively documented. The seemingly overwhelming difficulties are not surprising as these are also common in a country with a per capita income below \$1,000 (in 2001 base year) and a long history of patrimonialism.

There are many crucial issues in this local and central government relationship. Methodologically, it is necessary to differentiate the challenges of this local–central government relationship into three levels. The first is the conceptual level, the second is the institutional level, and the third is the individual level.

At the conceptual level, there is currently a huge gap between local and central governments. Many multilateral and bilateral partner institutions always insist that the evolution of decentralisation should begin by clearly defining the functions and responsibilities divided between the central and local governments, particularly with regard to funding and resource issues. However, the local government, and the local people, are not necessarily concerned about the overall functions and responsibilities of administration, but have an interest in first gaining the capital, while overlooking the concerns of the central government. As some policy makers put it: “it’s your problem, it’s not my problem” (Indrawati, 2001, p. 80). So there exists a very serious gap between reality and the expectations of local authorities who wish for more funds and do not want to share the burdens of duty.

At the institutional level, there are a lot of challenges and problems. The first is related to the technical capabilities of implementation, although the preparation of so-called 'local autonomy' began in the early 1980s when the government established the local government planning agency. Stemming from this, a lot of training has been done on capacity, although the quality and the speed of training have never met the demand. There is thus a serious technical capability issue, raising concerns about whether the devolved authorities can assume such a huge responsibility (D. A. Rondinelli, Nellis, & Cheema, 1983). Consequently, the central government of Indonesia gave priority in terms of devolved authorities to at least the four most important, most resource-rich provinces, namely, Aceh, Riau, East Kalimantan and West Papua. These regions received significant amount of funding starting from 2000. The question is whether they could manage the fund properly or it will create a cause for corruptions.

The second problem concerns the existence of institutional processes of checks and balances on the local government and, in particular, whether the local parliament will properly monitor the local administration (Rohdewold, 2003). There is a tendency for both local parliaments and local governments to use allocated funds on consumption-orientated policies rather than for investment. One can easily imagine a scenario of local government salary increases and a wide array of lavish projects, such as gymnasiums, sport centres, or statutes of local heroes. This increase in consumption by local government may conflict with the central government’s anti-inflationary policies.

The third challenge concerns the issue of governance. This relates to the extremely high levels of corruption in the Suharto administration (J. A. Winters, 2013) and weak institutional foundation in

every areas ranging from politics to bureaucracy (Indrawati, 2002). There is currently a proposed scenario that by significantly increasing the salary of the higher level officers it significantly reduces the degree of corruption, collusion and nepotism (KKN) in Indonesia. But the prevalence of KKN will not necessarily be completely undermined by this salary increase, as lucrative 'extra payments' from the business community will continue to be attractive. The additional legal income will not necessarily 'weed out' KKN from the system. So some serious questions remain over how to implement more effective bureaucratic reforms.

2.4 The Development of Social Protection

Social protection (SP) as a policy *per se* was not evidently available in the colonial era. Looking back at the colonial period, the Dutch East Indies government designed the inception part of this programme limited mainly for their officers only. Most of the programmes were related to productive sectors. Chief among these is the Cultivation System (*cultuurstelsel*) in the mid-19th century which apparently failed to improve social welfare for the masses (Fasseur, 1994). Industrialisation policies also hardly affected livelihoods positively.

The first quarter of the nineteenth century was a period of reform and experimentation aimed at the creation of a more modern colonial state (Luiten van Zanden, 2010). These projects were intended to optimise production factors (labour, land, and commodities) in order to ease the burden on the imperial budget. The first phase consisted of reforms initiated by Governor General Daendels in 1808-1811 who introduced the concept of the 'enlightened' state and modern-formal Weberian bureaucracy into Java. Second, from 1811 to 1816, the British (with the command of Governor General Raffles) controlled the colony and inculcated their own ideas and practices. Third, between 1816 and 1826 the Dutch resumed their attempts at reform.

Analysis on social welfare in Indonesia over the early 19th century has been eclipsed almost completely with the vast literature on the examination of economic growth. The studies point to a number of distinct phases in the development of total factor productivity. Fertile lands and an enormous labour supply did not necessarily translate into productive factors in the economic structure. Comparison of Raffles' population estimate of 1815 and the population census of 1900 suggests that the population grew extremely rapidly (Peper, 1970). This situation created a hefty challenge for implementing SP during the colonial administration.

Apart from economic and production policies, it was the Ethical Policy (*Ethische Politiek*) in the early 20th century that aimed to bring better living standards amongst member of societiy. Cribb (1993) has argued that there were three main strands in this policy i.e. education, irrigation, and emigration.

Supported by liberal groups in the Netherlands and East Indies, it was able to provide basic services towards indigenous population. Although the policy actually served the interests of the Dutch colonial ruler due to the increasing availability of quality administrators, it also created opportunities for indigenes to increase their life qualities. However, such policies were considered insufficient to stave off the threat of a 'Malthusian catastrophe' in Java (pp. 244-245).

In spite of the ravages of depression in the early decades of the 20th century, the level of per capita GDP in Indonesia has increased substantially, yet it was still below that of neighbouring countries. Social indicators such as health and education also show meagre progress compared to average standards (Booth, 2007). One reason for poor social indicators would have been poor nutrition. The evidence indicates that rice availability in Java was low in comparison with many other parts of the Southeast Asia (Anderson, 1966).

Entering the independence period, SP was normatively becoming one important agenda of Indonesia's founding fathers. The 1945 Constitution stipulated the provision of social welfare in its preamble. These unfortunately did not deliver immediately for various reasons. Indonesia did not have the capacity to develop a social security system in its early years. In the context of instability and chaos, social policy was neglected in favour of other critical problems, such as political reconstruction and government restructuring (Anderson, 1983).

People saw the emergence of the New Order era as a slight improvement to their self-sufficiency. Flurries of social policies were designed and implemented particularly after gaining considerable revenue out of oil and commodity trade. However, sustainable and institutionalised policies were hardly conceived in policymaking. Priorities on macroeconomic policies seemed to dominate the discourse in Suharto's regime. Many of them were intended to control and to stabilise inflation through subsidies. Some programmes involved rudimentary forms of targeting. For example, rural infrastructure programs or block grants to poor villages aimed at particular geographic areas, while policies such as credit for farmers targeted specific employment sectors (Ito, 2011, p. 424).

Meanwhile, with the influence of entrenched informal and traditional values, the Indonesian people never relied heavily on government run safety net programs. The country has had neither the economic apparatus nor the political mechanism necessary to deliver large-scale and widespread transfer programs. Instead, government social spending was largely focused towards 'social services' such as health and education, with the family and communities providing 'social insurance.' There were some subsidised health care and compulsory social security programmes limited only for formal sector employees (Waters, Saadah, & Pradhan, 2003, p. 179).

The economic crisis momentarily triggered sets of SP-like policies. Establishing the social safety net programs in Indonesia in 1998 was, therefore, more like casting a new net rather than merely expanding an existing one. Later in the mid-2000s, Indonesia had to undertake sizable reform on policies regarding subsidies. The country was no longer able to use fossil-fuel subsidies to help alleviate poverty and to control inflation (Dartanto, 2013). However, over time, this policy has grown increasingly expensive. It has also been criticised for being inefficient and regressive, given that the rich enjoy a greater proportion of benefits than the poor (Yusuf & Resosudarmo, 2008).

The promulgation of the Law on Social Security in 2004 was meant to be an important breakthrough (Widjaja, 2012). Since it was also considered a novel issue, the lengthy discussion caused by the draft had been revised 56 times before being enacted as Law No. 40 Year 2004 on the National Social Security System (*Sistem Jaminan Sosial Nasional*, SJSN). One of the major debates in the deliberation process was on deciding the type of institution that would manage the national social security programmes, that is, whether it should be in the form of a state-owned enterprise or a public and non-profit legal entity. The SJSN Law had the profound consequence of covering the entire population, in both the formal and informal sectors, and bringing them into the national social security system (Suryahadi, Febriany, & Yumna, 2014b).

Following up the implementation of the SJSN Law was the enactment of Law No. 24 Year 2011 regarding Social Security Carriers (*Badan Penyelenggara Jaminan Sosial*, or known as BPJS). The discussion for this law also took a long time (see the summary in Widiyanto, 2013). The points of contention range from the benefits, memberships, contributions, punishments, and most importantly the status of carriers as the operating body of social security (Wisnu, 2013). Strong resistance from existing agencies (Askes, Jamsostek, Taspen, and Asabri) were clearly visible and their objections somehow contributed to protracted negotiations. Finally, with many gaps left unchecked and concessions, the government and legislatures agreed to promulgate the law. Subsequently, the government was given a mandate to issue operating regulations which include details and technicalities.

2.4.1 Overview of Social Welfare Prior to the Asian Financial Crisis

As one of the world's largest emerging economies, Indonesia has experienced rapid economic growth and the substantial reduction of poverty over the past three decades, particularly prior to the AFC. Real economic growth averaged 6.7 percent per year over the three decades of the New Order Regime which began roughly in 1965. This growth was associated with increasing contributions of the industrial and services sectors, increasing urbanisation, and growth of the middle class (Wie, 2012a).

Before the onset of the economic crisis in mid-1997, Indonesia was one of the most rapidly growing economies in the world. Mainly driven by rising oil prices in the early 1980s, this rapid growth had generated an unprecedented reduction in poverty within a remarkably short period of time (H. Hill, 2000, pp. 118–119).

Indonesia's economic growth was also associated with significant declines in poverty, especially among rural households. Between 1970 and 1996, absolute poverty fell by around 50 percentage points, accompanied by substantial gains in education and health standards. In the first half of the 1990s, GDP grew at an average annual rate of 7 per cent, and the poverty rate fell dramatically from 32.7 per cent in 1990 to 17.4 per cent by 1996 (Suryadarma, Artha, Suryahadi, & Sumarto, 2005).

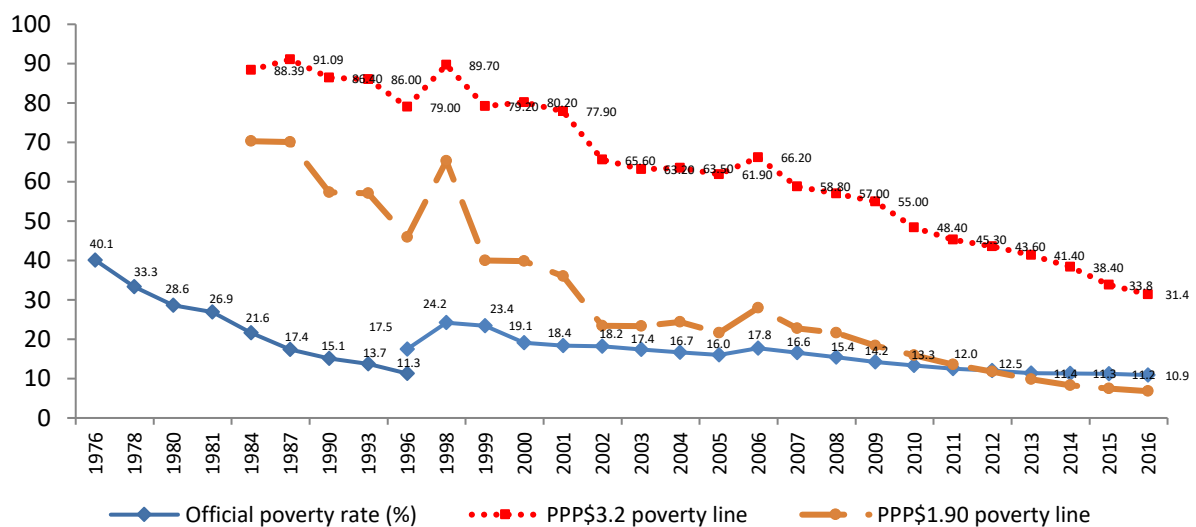


Figure 2.3 Various Poverty Rates According to Different Standards

With significant improvement in the economy, poverty rates especially during the 1970s-80s declined drastically (at least according to official government data). Figure 2.3 describes the changes in poverty rates using various standards. It appears that national poverty rates do not differ crucially according to the PPP\$1.9 poverty line, especially in the last two decades. However, the gap emerges substantially when the national poverty rate is contrasted with the lower middle income poverty standard i.e. PPP\$3.1 poverty line. This chart conveys a message not only that the methodology in counting national poverty might need thorough review and update (Priebe, 2014; Sumner & Edward, 2014) but it also implies a higher degree of vulnerability in terms of social welfare. Yet, regardless of the stark discrepancy, there has been progress in poverty reduction over the last decade.

While poverty reduction was not a policy objective in official government documents until the early 1990s, the government's agricultural and rural development strategies and commitment to human capital investment through financing and provision of education and health services also contributed

to poverty reduction (Booth, 1997). Furthermore, the government intervened in staple foods markets for the purpose of reducing domestic price volatility and increasing food security.

The impacts of crisis felt by households are channelled through several mechanisms. These can be traced to the different sources of household income —wages, salaries, and self-employment incomes; returns on physical assets; and the receipt of public transfers— and to the prices households face when purchasing goods and services (Ferreira & Keely, 2000). There are also effects at the level of the broader community, which affects individual welfare.

When the economic crisis hit hard in 1998, concerns over its social impacts were high. As a response, the government within a relatively brief period formulated its social safety net policies. The multidimensional crisis has had a deep impact on employment, household income, and consumption. The impact was particularly severe because of the coincidence of massive exchange rate depreciation and its effect on tradeable goods prices on the one hand, and the drought and food price increases on the other. Summaries on how these events were unfolding and its impact are concisely written by Abimanyu (2001), Ikhsan (2001) and Ananta (2001).

2.4.2 Social Safety Net Programmes as a Response to the Crisis

Starting in the 1998/99 fiscal year, the government of Indonesia had launched the Social Safety Net (*Jaringan Pengaman Sosial*, JPS) programme. In that first year alone, the JPS constituted around 30 percent of total government expenditure (Sumarto, Suryahadi, & Widyanti, 2002). As in other crisis-affected countries, the projects were meant to be only temporary. Without a clear institutional antecedent, policy-makers faced the daunting task of undertaking these social interventions amid severe political instability and an increasingly pressing fiscal condition. JPS programmes covered education, health, community empowerment and employment creation, in addition to the rice subsidy programme known as special rice market operation (*Operasi Pasar Khusus*, OPK) (Tabor & Sawit, 2001). The scope and magnitude of this SP initiative was simply unprecedented in Indonesian history.

While maintaining some JPS programmes in the years after the crisis, the government also aimed to restructure the grossly regressive fuel subsidies (*Bahan Bakar Minyak*, BBM) and to channel budgetary savings into targeted SP and poverty alleviation programmes (Sumarto, Suryahadi, & Bazzi, 2008, pp. 131–132). Although the policy of subsidies reduction were very sensitive, the government on several occasions after 2000 managed to reduce the BBM subsidy and subsequently reallocated a portion of the savings to social programmes, known as 'Fuel Subsidy Compensation Fund' (*Program Kompensasi Pengurangan Subsidi Bahan Bakar*, PKPS-BBM). Alongside dramatic subsidy cutbacks in 2005, the

government implemented a substantial compensation package including unconditional cash transfers, health support, educational assistance, and infrastructure development programmes. Following the 2005, 2008 and 2013 fuel subsidy reductions, the government delivered temporary cash transfer programs targeting low-income households, to relieve the burden due to higher prices (Kwon & Kim, 2015).

2.4.3 Reforms and the Expansions of SP

In drawing lessons from the JPS and PKPS-BBM programmes, policymakers, and researchers today are striving to create a more efficient, equitable and coherent SP policy. The goal is not merely to provide risk-coping mechanisms in response to crises but also to institute sustainable programmes that support intergenerational pathways out of poverty.

The JPS programmes were merely an *ad hoc* response to the crisis. Prepared in haste, almost all of its component programmes were plagued by the problems of targeting. A large number of the poor were not covered by the programmes and there was substantial benefit leakage to the non-poor (Overseas Development Institute, 2006).

While the targeting of the JPS programmes has been called into question by numerous authors, without such programmes social welfare would not have recovered in such a relatively short time (Sumarto et al., 2008, pp. 122–123). Several JPS programmes generated clear welfare improvements at the household and aggregate level, and by 2002 many of the worst welfare losses had been reversed as the poverty rate fell to 12.2 per cent, even below pre-crisis levels. The PKPS-BBM programmes have since helped to maintain these post-crisis gains despite periodic bouts of economic volatility and, more importantly, have enabled the central government to move gradually into a more progressive public spending regime.

In terms of programme design and implementation, they were supervised by the central government and were intended to have the following characteristics: quick disbursement, direct financing to beneficiaries, transparency, accountability, and encouraging participation of the society in monitoring the implementation of programmes (Sumarto, Suryahadi, & Widyanti, 2005, p. 158).

In spite of the development of a modern social security system prior to the AFC, the system still left a large part of the population uncovered (Daly & Fane, 2002). The system limited its coverage to formal sector workers, whereas about two-thirds of workers were in the informal sector. Even for those who were covered by the system, the scheme did not deliver a sufficient level of income protection or quality of services for the workers and let the workers who were hit by the crisis fall into poverty.

With regards to health assistance, decentralisation in 2001 transferred the responsibility for managing health from the central government to the subnational governments, particularly to the district governments. This had a tremendous impact on the national health system, which was previously predominantly managed by the central government (Kristiansen & Santoso, 2006). The subnational governments, particularly the district, now have the freedom to develop and plan their own health programmes and activities with their own funds and the funds they receive from the Ministry of Health. Nevertheless, the decentralisation arrangements and its derivative regulations still create confusion regarding the role and responsibilities of each level of government, in particular the provincial level.

Shared responsibility between all stakeholders, which includes the state, employers, individuals as workers, and families or communities, is a basic concept of social security provision. In Indonesia, as mentioned in the previous section, informal or traditional support systems from extended families or communities still have a significant role in the provision of support for people (especially those in the informal sectors) in times of crisis. Meanwhile, for the formal sectors, there is a strong reliance on the employer's liability provisions and, to a lesser extent, on public and/or private social insurance programmes.

The SJSN Law required that the regulation on implementing agencies be created by October 2009, five years after it was passed. However, the timeline could not be achieved by the government and the draft of the derivative regulation was not submitted to Parliament by that date. In the meantime, policies on targeting beneficiaries were already brought to high level policymaking. Led by a task force within the Office of the Vice President, the government developed a new asset-based measure for determining household eligibility. Using the proposed list, local government officials forwarded lists of households they judged eligible for social assistance (e.g. cash transfers and health care). However, local officials could certify additional households to receive benefits by issuing the household with a letter of indigency depending on their fiscal capacity and idiosyncratic leaderships (Sumarto et al., 2005).

Today, however, Indonesia's budgetary allocations to social and human development priorities still remain among the lowest in South East Asia as a proportion of GDP, and its policymakers face a critical trade-off between further repairing the state budget and making necessary social investments.

Later in 2011 targeting mechanisms have begun to evolve with the creation of a unified database. It comprises households in the the lowest 40th percentile as a roster for SP beneficiaries (Suryadarma & Sumarto, 2011, pp. 169–170). This comprehensive database is expected to be an important tool for central agencies and local governments to better deliver benefits, notwithstanding the difficulties in updating the list on a regular basis. In spite of data improvement, a publication from the World Bank

(World Bank, 2012c) has reported that 'a number of regional governments have expressed discontentment over its reliability and often published their versions using various questionable methods' (pp. 11-17). Not infrequently, local leaders decide to design and perform a universal SP programme without prior targeting for the sake of avoiding potential conflict owing to the disputed beneficiaries' list.

The progression of Indonesia's SP policies has been accompanied with institutional reforms. One of the biggest reforms is the establishment of the National Team for Accelerating Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan*, abbreviated as TNP2K) in 2010 under the direct command of the Vice President (Suryadarma & Sumarto, 2011, p. 167) (Suryadarma & Sumarto 2011, p.167). TNP2K also holds the responsibility to manage its local counterparts, the Coordinating Team for Regional Poverty Alleviation (*Tim Koordinasi Penanggulangan Kemiskinan Daerah*, TKPKD). The main mandate of TKPKD is to establish a local strategy for coordinated poverty alleviation at the districts or cities level.

The establishment of TNP2K and TKPKD was in time with the rejuvenation of the Ministry of Social Affairs (MoSA) which was dissolved previously during the administration of Gus Dur (1999-2001). Considering its mandate, one can infer that budget allocation for the MoSA after its re-establishment in 2001 was barely sufficient. This can be seen in low scores of the Social Protection Index (see results and methodology in Asian Development Bank, 2013; Baulch, Wood, & Weber, 2006). Aside from profound changes in institutional settings, significant reforms in financing started as the government decided to utilise a portion of the 'fiscal space' created from fuel subsidies reductions to finance SP programmes. Hence, parts of the temporary, crisis-motivated initiatives were shifted into permanent programmes.

The most recent attempt at transforming SP programmes in Indonesia is marked by the implementation of universal programmes such as social health insurance (Allford & Soejachmoen, 2013; Simmonds & Hort, 2013). However, the budget allocated to SP programmes at the local level varies widely. This variance occurs mainly in light of Law No. 32 Year 2004 which does not preserve SP under the 'obligatory' function of the central government and allows each province to regulate their own SPs without a defined standard. On a related note, local budgeting on SP is also affected by a higher priority placed on administrative expenses and weakened accountability mechanism in almost every region (Sjahrir, Kis-Katos, & Schulze, 2014).

According to Wisnu et al (2015), key programmes and approaches to social welfare that Yudhoyono adopted during his ten years in office were identified as manifestation of President's policy to play safe. He generally avoided clear targets, performance indicators, benchmarking, and visionary efforts

to anticipate future challenges. Rather than committing himself personally to particular programmes, he put a safe distance between himself and his policies by encouraging a plethora of complex bureaucratic procedures or establishing new agencies.

2.4.4 The Coordinative State and Roles of Local Governments

One of the most important characteristics of Indonesian poverty is the significant variation in the incidence of poverty across the archipelago (Booth, 1993). Those regions where poverty rates are the highest also tend to have lower levels of educational attainment, less clean water supply, poorer quality of sanitation, and the weakest public health outcomes, especially in the areas of maternal and child health and malnutrition. There are also regional disparities in access to public facilities. As a result, those governments that have emerged as powerful entities at the regional level since decentralisation now have a critical role to play (Akita, 1988).

What determines the differences in both levels of poverty and rates of change in poverty across the archipelago? Poverty rates are expected to be closely related to levels of regional development, given the differences in resource endowments across regions and the persistence of socio-economic differences over time (H. Hill, 1989). But at the same time, there seems to be a tendency towards convergence in poverty rates over time as capital moves into and labour out of the poorer, low-wage regions (Miranti, 2011).

Under regional autonomy, significant levels of funding and political authority have been transferred to the regions, to provincial and especially to district governments (Ostwald, Tajima, & Samphantharak, 2016, pp. 147–148). Each year around 40 percent of central government expenditure is allocated to the regions. The progress of poverty reduction now depends to a greater extent than ever before on local government capacity to manage budgets, establish priorities and deliver sound policies.

Supporters of regional autonomy have argued that its implementation would improve the delivery of essential public services. District governments would be better informed about specific challenges facing their areas than the central or even the provincial levels of administration and could tailor service delivery to meet local needs. So far, however, the impact of decentralisation has been patchy, while the tendency to create new regions has the potential to exacerbate existing inequalities and reduce access to funding between regions (B. D. Lewis, 2014b).

In decentralised Indonesia, many of the reforms and programme activities that drive social welfare improvement must take place in the provinces and districts. However, there remain many important tasks that require effective coordination at the national level as policies in the past (Crane, 1995).

These include such aspects as comprehensive and nationally directed data collection process; effective monitoring and evaluation drawing on a pool of skilled personnel; and pooling of financial resources to fund large-scale programmes (Perdana & Maxwell, 2011, pp. 287–288). National-level coordination and decision making can reduce transaction costs and achieve economies of scale, and ultimately will ensure that uniform national standards are being met so that all regions receive adequate attention.

The decentralisation laws define three types of functions: i) 'retained' (by central government), ii) 'obligatory' (transferred to local governments), and iii) 'voluntary' (local governments may opt to leave with the central government or take over control) (see details in Turner, Podger, Sumardjono, & Tirthayasa, 2004). Social policies are in fact among the 'obligatory' functions. Yet, most overarching decisions regarding the design, planning, and budget allocations for social assistance programs are still taken by central government line ministries. This may be due to the lack of state capacity or a result of prioritisation.

Several studies have documented the implementation of various SP programmes in Indonesia. Their findings show that the implementation of different poverty reduction programmes between regions have had various impacts (see for instance Jellema & Noura, 2012, p. 21). In this regards, the World Bank (2012a) has attempted to undertake the Social Assistance Public Expenditure Review on the analysis of Indonesian SP budget effectiveness. Findings in this report show a significant increase in public expenditure for SP, surprisingly in the poorer provinces (p. 21). In spite of a detailed review on social expenditure, this report only focuses on central government-funded programmes to protect poor households from shocks.

Nevertheless, Alatas (2011) points out that the involvement of local government in conditional cash transfers, otherwise a centralised government programme, did not meet expectations due to insufficient supply side issues, including a lack of health and education facilities. The problem has become even more complex, as decentralisation has reduced interaction between central and local governments. Booth (2005) concurs with this finding, pointing out that given the considerable power and authority transferred to regional governments via decentralisation, it would not be surprising if regional politicians were unlikely to cooperate with central government unless they saw a direct personal benefit (p. 198).

2.5 Summary

The historical narrative of decentralisation, democratisation, and SP in Indonesia can be traced back further to the colonial era. Each period left an indelible mark on the characteristics of public policies. Polity and governance transformed remarkably along with regime changes.

With fierce struggle and bloodbaths, Indonesia obtained its independence in a very difficult process. This has soured the relationship with its former coloniser and made her cast off Dutch-imposed federalism in favour of a unitary state from the beginning of nation-state formation. Later, during the inception years of governance, several rebellions and attempts of secession from provinces contributed to Sukarno's dictatorial style of leadership. Continued by the next regime, Suharto's heavy centralisation during the New Order made federalism taboo in public discussion.

In the reform period, however, the concept is re-emerging, but federalism was never discussed in an open, inclusive, and balanced manner. Decentralisation policy is focused on the district in order to distribute powers to smaller entities so that the attempt to secede (as imagined alternatively in the decentralised provinces) could be diffused. Designed in a rather hasty manner, this policy is accompanied by a confused and misleading official discourse that is consistent with the ideology of power retention and maintenance of patrimonial governance. As a result of greater democratisation of the polity, federalism is slowly entering official discourse. Although its prospects in the short term remain gloomy, support may grow for some federal principles within Indonesia's unitary structure.

Looking at more recent development, the prevailing view among many policy makers and policy advisers is that decentralisation has been somewhat of a disappointment. This assessment derives from the observation that local public service delivery has merely improved little, if at all, since the implementation in 2001, despite an apparently significant transfer of funds to provinces and districts to discharge their newfound responsibilities.

The New Order era was signified by its success in stabilising the economy and maintaining the welfare level of its society. Suharto's administration also benefited greatly from increasing world oil prices when new oil fields were being produced abundantly. Yet, as the oil boom came to an end in the early 1980s, this made the New Order government redirect the economy from being dependent on oil towards the promotion of the export-oriented manufacturing sector, while large public investments in education, health, family planning and infrastructure continued. In this way, policy focus was centred largely on economic growth with minimal attention to redistribution.

The AFC in 1997 eventually led to detrimental shocks which reverberated among layers of society. The social impact of the crisis has been substantial and is still evolving four years after the crisis started. One estimate indicates that the national poverty rate jumped from 15.7 percent in 1996 to 27.1 percent in the next three years. During this period, the number of urban poor doubled, while the rural poor increased by 75 percent. To mitigate the social impact of the crisis, the government of Indonesia established a series of new and expanded social safety net programmes which later evolved to become the foundation for SP expansion.

Varieties of SP programmes addressed different problems of social welfare. To increase the effectiveness of a limited budget, beneficiaries were targeted directly. Despite heavy criticism, the approach continues to dominate the discourse. This approach has been complemented with aspects that were previously neglected like gender empowerment, being community-based, and participatory, among others. Current progress in both decentralisation and democratisation has influenced the shape of SP. Yet, it seems that most of the progress has been tarnished with protracted issues such as lack of coordination between central and local governments, clientelism, limited capacity on budget and technicalities.

In sum, the chapter provides a background to situate the context before analysing the impact of decentralisation and electoral democracy to the implementation of SP at the local administration level. As the reforms have been taking place for the last 15 years, there are still many literature gaps to address. Furthermore, in the midst of growing importance of decentralisation and democratisation in the developing countries, the unique circumstances and unparalleled trajectory of reform process in Indonesia can furnish as a comparative case study.

PART II LITERATURE REVIEW

Chapter Three: Decentralisation, Democratisation, and Social Protection: A Review of Theory and Empirical Evidences

3.1 Introduction

There is already a wide body of literature on the impact of decentralisation and democratisation on social protection (henceforth called SP) in developing countries as noted by Scott (2009, p.6) and some significant academic contributions to the recent debate can be found. It is interesting to observe the emerging consensus on the impact of decentralisation and democratisation on service delivery and the factors of importance in ensuring the effective local provision of services. Research from Shah and Thompson (2004) on the early phase of Indonesian decentralisation conveys important findings that a lack of incentive or responsiveness of local governments to their residents can inhibit the expected impact. Each part of this review emphasises that neither decentralisation nor democratisation can solve all the problems of developing countries, including poor service delivery, weak economic development, poor social cohesion and/or high levels of conflict.

This chapter thus seeks to assess the major issues arising in the implementation of SP within the context of decentralisation and democratisation through a systematic review of the literature. The literature review is based on electronic bibliographic searches and it draws on various types of literature including academic journal articles, reports, and official documents. Regarding the definition of SP, this study adopts the argument from Devereux and Sabates-Wheeler (2004) which has the potential to play a greater role in improving people's livelihood. This rationale behind the definition of SP is relevant to the situation in emerging countries with an increasing middle class population but that lack sufficient means to protect the community from shocks. In addition, social policies in developing countries nowadays tend to encompass broader objectives, not limited to alleviate poverty but often to achieve several conditions as stipulated in the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs). Within this background, the perspective of SP taken here is one of the '3 Ps' terminology (i.e. protection of the poor, prevention of vulnerability from shocks, and promotion of livelihoods of the poor) and the transformative element as described by Devereux and Sabates-Wheeler (p.10).

This chapter is structured as follows: it provides a brief background to both decentralisation and SP, before moving to outline the methodology used to search for, and review, the literature in this area.

The following section then presents a discussion of key issues emerging from this literature, focuses on Indonesian case. The final section concludes with key messages.

3.2 Theories of Democratisation and Decentralisation

Democratisation and decentralisation have emerged as mechanisms for addressing a wide range of issues in public sector organisations around the world (Rees & Hossain, 2010, p. 586). They have also evolved as a consequence of much dissatisfaction with the results of centralised economic planning which then led reformers to decentralisation to reduce the sizable control of central government and induce broader participation in democratic governance (Smoke, 1994; Wunsch, Olowu, Harbeson, Ostrom, & Insulza, 1990). One important assumption is that in being closer to the people, local authorities can more easily identify people's needs, and thus supply the appropriate form and level of public services (Oates, 1972; D. Rondinelli, McCullough, & Johnson, 1989). Having gained increasing popularity, the estimated number of decentralisation experiments ranged from 80 percent of developing countries to all of them (Manor, 1999).

Both democratisation and decentralisation can be regarded as highly controversial and contested activities that determine the locus of decision making power and disrupt established power relations. Likewise, Scott (2009) argues that decentralisation is not a technical activity that takes place in a political vacuum. In a similar vein, Rees and Hossain (p. 582) further highlight that decentralisation is more than a process associated with local government reform.

The fundamental premise is that a decentralised public sector will be more effective and accountable to serve the rights of the people (J. K. Ahmad, Devarajan, Khemani, & Shah, 2005). In addition, the decentralisation experiments in various countries have been well documented and analysed, yet there is limited work on the impact of decentralisation on livelihoods. Furthermore, attempts to find research on the impact on vulnerable groups has resulted a paucity of studies within the context of Indonesia.

Meanwhile, a large theoretical literature on democratisation has developed considerably. In the last sixty years this body of work has been joined by a vast array of empirical studies in modern political science. Quantitative studies have found democracy to be inextricably linked to economic development. Different strands of more historical research have alternatively associated the existence of democratic regimes with either the destruction of the agrarian world, the formation of cross-class coalitions, or the growing strength of the working class. Finally, under the renewed influence of neo-institutionalism, several scholars have claimed that a stable democracy can prosper only when

sustained by a particular set of constitutional rules and embedded in certain social norms and practices.

In the same periods when democratisation gains popularity, decentralisation has become a particularly important theme in many developing countries since the mid-1990s (see R. Crook & Manor, 1998; Fukusaku & de Mello Jr, 1999; Manor, 1999; Shah, 1998; World Bank, 1999)). The most important underlying argument concerning decentralisation is that it enables government to be more accountable and responsive to the governed (Faguet, 2014). Supported by positive aspects in a newly-embraced democracy, decentralisation also encompasses reforms in wider fields, including governance and the enhancement of public services which are compatible with the main essence of standard reform package such as the 'Washington Consensus' for developing countries. Bolstered by the popular advice of various development agencies, decentralisation is considered as one of the most important reforms of the past generation, both in terms of the number of countries who have pursued decentralisation and the potentially deep implications for the nature and quality of governance (p.2). This enthusiasm for decentralisation has inspired a huge wave of research seeking to identify the effects of decentralisation on a range of policy-relevant outcomes, as well as attempts to improve government programmes focusing on vulnerable groups. In brief, the nascent stage of decentralisation has occurred almost in parallel with a general trend towards democratisation or large scale reform within each country.

Perspectives from many researchers on decentralisation are summarised concisely by Robinson (2007b). His paper notes that many claims are made in favour of decentralisation, ranging from the democratising potential of participatory and accountability processes in terms of poverty reduction as well as service delivery. However, the arguments for the developmental significance of decentralisation rest primarily on a series of assumptions and theoretical justifications. For example, Shah and Thompson (2004) argue that most of the decentralisation literature deals only with normative issues regarding the assignment of responsibilities among different levels of government and the design of fiscal transfers.

Currently, a wide body of literature reveals a typical consensus that decentralised governance facilitates pro-poor economic and social development (e.g. Turner & Hulme, 1997). This predisposition suggests that the decentralisation of development programmes tends to improve targeting of beneficiaries and the relevance of such programmes to their contexts (Kingsley, 1996; Manor, 1999). However, decentralisation of governance is not a sufficient condition for broad-based economic and social development. For example, Priyadarshee and Hossain (2010) evaluate selected SP programmes in India which suggest that local governments need to incorporate better mechanisms to enhance the participation of beneficiaries. Their findings also raise concern on numerous governance problems

such as elite capture, rent-seeking, and corruption. This chapter seeks to provide a comprehensive and systematic review of the evidence concerning the subject and the impact on assisting SP programmes to benefit the poorest and vulnerable groups focusing on developing countries, particularly Indonesia.

3.2.1 Decentralisation: Concepts and Dimensions

One of the most critical prerequisites to translate decentralisation from theory to practice is a clear understanding of the concept in a definition. A quick but thorough literature review from UNDP (1999) shows no single agreed definition or understanding of decentralisation. In brief, the concept of decentralisation involves various aspects that can be distinguished into several parts i.e. political decentralisation; administrative decentralisation; fiscal decentralisation; and economic or market decentralisation (Burki et al., 1999; Litvack & Seddon, 1998).

On a related note, Robinson (2007a) further elaborates three distinct elements encapsulated in decentralisation (p.7). The first is fiscal decentralisation, entailing the transfer of financial resources in the form of grants and tax-raising powers to sub-national units of government. Second, there is administrative decentralisation (often referred to as deconcentration) where the functions performed by central government are transferred to geographically distinct administrative units. Third is political decentralisation, where powers and responsibilities are devolved to elected local governments. It is synonymous with democratic decentralisation or devolution. The majority of literature included in this review focus on the third type: political decentralisation or devolution. It is this type of decentralisation which has been primarily emphasised in developing countries over the last two decades. Ahmad et al (2005) propose a broad logical framework that asserts an inextricable link between the importance of political decentralisation and the quality of service delivery. The framework explains stronger relationships of accountability between the actors in the service delivery chain under political decentralisation, although there remain questions on the effects of incentives at all levels.

The fundamental premise commonly held by development stakeholders in low and middle income countries is that a decentralised public sector will be more effective and accountable to the people. However, the rapid implementation of decentralisation reforms in developing countries often leads to several problems. According to Joanis (2014), most of the problems result from the coexistence of multiple tiers of government in certain policy areas, which triggers new accountability issues. Many countries have begun delegating their responsibility for social services to lower levels, usually locally elected governments, yet the results have been mixed (Faguet 2014, pp. 8–9). In the case of Indonesia,

political expediency led the parliament to hastily pass laws in 1999 to implement 'big-bang' decentralisation, but left the expenditure law unclear on assignments which subsequently had to be revised. Although the legislature attempted to improve decentralisation laws in 2004, several issues remain, most prominently in local governance.

One essential tenet of decentralisation is the notion that delegating expenditure responsibilities from central to local levels might increase overall government accountability. According to Oates (1972) and his seminal decentralisation theorem, increased accountability occurs when the policymaking process is brought closer to citizens. Within this background, the World Bank (2003a) has advocated decentralisation on the basis that it might help ease corruption in developing countries. However, empirical evidence has highlighted potentially significant accountability problems associated with the implementation of reforms. One example is the prevalence of local elite capture, as analysed by Priyadarshee and Hossain (2010) using the case of poverty reduction programmes in India, another is the issue of lacking incentives which inhibits the responsiveness of local governments in delivering services (Shah & Thompson, 2004).

3.2.2 Driving Factors of Implementation

In their initial objectives, many decentralisation experiments aim to reconstitute government, from a hierarchical, bureaucratic mechanism of top-down management to a system of nested self-governments characterised by participation and cooperation, where transparency and accountability act as a binding constraint on public servants' behaviour. As summarised by Firman (2010), decentralisation is aimed at diminishing the dependence of local government on central government; to encourage economic development; to improve accountability; and to institutionalise change (see for example Alm et al., 2001; Grindle, 2007; Smoke, 2001).

Referring to Faguet (2014), the strongest theoretical argument in favour of decentralisation is that:

- a) it is able to improve the accountability and responsiveness of government by changing its structure so as to capture citizen voice and change the incentives that public officials face;
- b) reduce abuses of power by transferring certain central government functions and resources to lower levels;
- c) improve political stability by giving aggrieved minorities independent control over sub-national governments with limited power over issues that affect them directly; and
- d) increase political competition by creating many smaller arenas that politicians vie to control (p. 2).

Decentralisation programmes across developed and developing countries are essentially motivated by a quest to improve governance. For instance, the preamble part of the Indonesian Law No. 32 Year 2004 on Regional Administration states that the principles of autonomy are to speed up the creation of public welfare through the improvement of services, public participation, regional competitiveness based on the principles of democracy, equitable distribution, justice, and the distinguishing characteristics of every region (Government of Indonesia, 2004a). Likewise, looking at examples in other countries, devolution in Britain was aimed at 're-balancing power between citizen and government' in order to 'move us away from a centralised Britain to a more democratic, decentralised, plural state' (Blair, 2001). Concurring with the argument of governance improvement are the findings of Sasaoka (2007, p. 4) which propose that democratisation is a major factor to implement decentralisation e.g. in India, South Africa, and Tanzania.

The *reformasi* period has become the main pretext for the origins of decentralisation and democratisation in Indonesia. It began when the impact of the Asian Financial Crisis (AFC) in 1997 reverberated among all population segments and culminated in the moment when the central government, invariably associated with being strong yet corrupt, became a paralysed and delegitimised administration during the crisis period. In addition, regional resentment towards Jakarta, including demands for secession in some of Indonesia's outer regions, had increased fears of territorial disintegration (for evidence please see Edward Aspinall, 2003; P. King, 2004; McGibbon, 2004; Miller, 2009; Sulistiyanto, 2001). The ensuing period of political transformation saw the introduction of laws on decentralisation which reconfigured the nation.

Decentralisation was ushered in as a way to fix the unequal relations between state–society and central–local government, created by the highly centralised, patronage-based system of the Suharto authoritarian regime from 1966 to 1998 (Ito, 2011, p. 3). Given the lengthy periods of the New Order regime, some of the impact of decentralisation (and other) reforms is expected not to be immediately observable. The process was initiated by the governance reforms advocated by the International Monetary Fund (IMF) and the World Bank in combination with the financial and technical assistance provided to the country following the economic crisis (Green, 2005, p. 3).

The process of democratisation in the early phase of the reform era was not easy. Despite the continued control of many elites nurtured under Suharto's New Order, massive structural, institutional, and constitutional reforms were rapidly implemented in order to appease the widespread calls for reform. The first 'free and fair elections' since before the New Order were held in 1999; these were to elect new members of the local and national legislatures, and to install a new president and new regional heads. Despite the success of these elections, they were assessed as being

only 'half-hearted' reforms (King, 2004) since the military was still guaranteed seats in the national assembly and the participation of the populace in the election of their leaders was still not direct.

Paralleling the decentralisation process, there was another proposal to run direct elections for local district heads, a process known as *pilkada* representing a further step and necessary complement in the decentralisation process. This process continued until 2008 when more than 400 districts throughout Indonesia completed this nationwide political transformation. The justification for the introduction of the direct vote lay in the abuses in the previous system of choosing district heads that had been introduced in 1999. The direct vote was also thought to open more space to nurture the emergence of local democracy, which had been denied during the Suharto period.

The scholarship on decentralisation and the emergence of local democracy in post-Suharto Indonesia ranges from optimistic through cautious to pessimistic. Those in the optimist camp argue that decentralisation and democratisation will emerge together, and have been part of the reform agendas pushed for and contested through the succession of post-Suharto presidencies — B.J. Habibie (1998–99), Abdurrahman Wahid (1999–2001), Megawati Sukarnoputri (2001–04), to Susilo Bambang Yudhoyono (2004–2014). They are represented by international and national organizations such as UNDP, World Bank, Asia Foundation, Ford Foundation, and a newly established local SMERU Institute (Nordholt, 2005). By allowing the regions (especially at the district level) to have more say in running their own affairs, it was hoped that local people would benefit from local government policies; in this sense, decentralization is a major and necessary step towards nurturing a flourishing local democracy because it opens up spaces for local political participation.

However, those in the pessimist camp argue that decentralisation has been accompanied by the rise of *preman* (gangsters) who always resort to violence, as well as the spread of money politics⁷ and corruption into the regions (see evidences in Antlov, 2003; V. R. Hadiz & Robison, 2005; Malley, 2003; Mietzner, 2007; Sidel, 2004). Competition, squabbles, and fights to control these decentralised powers and resources have occurred, leading sometimes to a compromise where elites share a 'piece of the pie' together. On the other hand, others see that decentralisation has allowed the flourishing of local civil society and the (re)emergence of old local elites such as ethnic leaders in the regions (Faucher, 2005). Decentralisation has opened up the possibility for grass-roots participation in the local political context and direct political participation or lobbying with the local leaders. Decentralisation has had diverse implications for the political changes desired by the Indonesian people; at the very least it has allowed the discussion and debate on the idea of 'democracy' to flourish. The latest development, the

⁷ Common practice during local election which involves patronage distribution – the distribution of money, gifts or other material benefits heavily, especially on the eve of the election day.

re-structuring of the election of leaders, is considered by many to be the culmination of this process of developing a 'grass-roots' democracy, and good governance. However, there is the danger of assuming a direct positive correlation between decentralization and democracy. In their comparative study of South Asian and West African countries, Crook and Manor (1998) suggest that decentralisation does not always improve the local governance and accountability of local leaders. They argue that decentralisation must be implemented together with democratisation and institutional reforms at the national level (p. 304). These reflections can be used as a point of departure for examining decentralisation in Indonesia and further to argue whether the processes and outcomes of the direct elections of district heads will eventually lead to the emergence of local democracy.

A confluence of economic and political factors characterises Indonesia's experience of decentralisation, as reported by Hofman and Kaiser (2006). They point out that economic and political upheaval following the crisis eventually triggered a 'big-bang' decentralisation process. The fiscal, administrative and political autonomy of local government has thus increased significantly in a relatively short period of time. More importantly, the government in 2004 took a major decision to introduce direct elections for the positions of regent, mayor, and governor whilst giving the central government greater powers to influence policy at the local level through direct spending and the creation of accountability mechanisms to monitor local government spending and district performance (Bennet, 2010, pp. 8–9). Again, this decision is aimed to increase the proximity and effectiveness of local government in decentralised settings. However, the process of decentralisation in Indonesia was not accompanied by an attempt to revamp accountability at the beginning. Furthermore, regional proliferation which is the by-product of decentralisation has caused further disparity between regions. In many ways, Indonesia's story was a portrait of 'fixing the machine as it was running'.

The government of Indonesia is currently revising Law No. 33 Year 2004 on Intergovernmental Finance with the aim of improving some dimensions of decentralisation and tackling implementation difficulties. By mending the law, the government also attempts to reduce disparities between provinces, mainly due to the fact that GDP per capita in some regions is falling behind that of the main island, Java. Therefore, revenue certainty is to be enhanced in part through changes to the general allocation grant (*Dana Alokasi Umum*, DAU) and specific allocation fund (*Dana Alokasi Khusus*, DAK) formulae and the disbursement mechanism for intergovernmental transfers. The revision of Law 32 Year 2004 has not, however, sufficiently addressed the problem of inefficiency in regional spending (Mahi & Nazara, 2012, p. 7). The problem of inefficiency might occur in the process of resource allocation and production (or service delivery). Allocative inefficiency results from mismatches

between needs and budget provision; productive inefficiency refers to low quality in the outcomes of spending, resulting, for example, from corruption. This is in line with the findings from Ranis and Stewart (1994) that more decentralisation offers the potential for increased allocations to social and economic priorities, enhancing efficiency and equity within regions; but the promotion of national standards and equity across regions requires central government action.

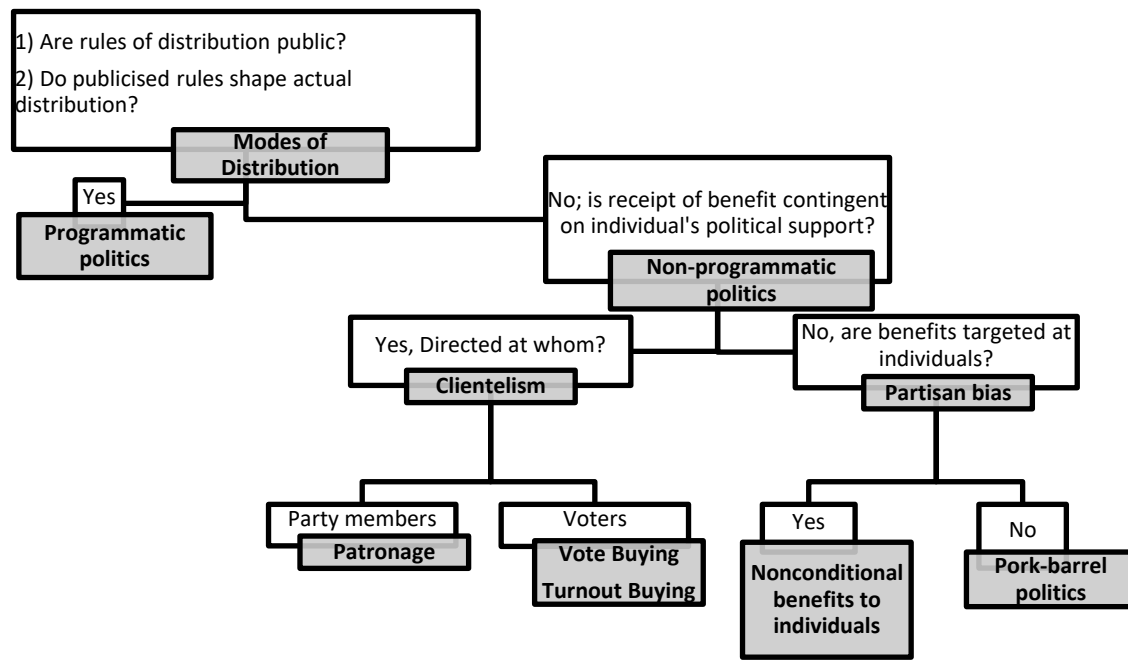
3.2.3 Modalities of Distributive Politics in a Decentralised and Democratic Regime

Like markets, politics also distributes goods (see Booms & Halldorson, 1973; Fry & Winters, 1970). Government programmes channel cash, jobs, credit, and a myriad of other resources to citizens; elected officials mete out benefits to favoured constituencies; and political parties distribute everything from leaflets to souvenirs in search of votes. Politics can also manage to influence taxes and transfers to redistribute income within society (Bird & Zolt, 2005). In general, the political distribution of goods is invariably more controversial than is their distribution through markets. Normally, people can rely on markets to move valued resources across locations and populations but in any democratic polity there is broad agreement that political authority rightly transfers resources across generations by using tax proceeds to fund social policies.

Within the setting of decentralisation, regional governments have plenty of room to create various entitlement programmes. Enhanced by the values of more liberal democratisation, the political distribution of goods becomes increasingly important, particularly in a location with a large vulnerable population (Bollen & Jackman, 1985). Political authorities at different levels of government make choices about the distribution of goods to beneficiaries (D. Rondinelli et al., 1989). When the hold of these authorities on office depends on their winning elections, their choices become bound up with political strategies. Therefore, the modes of strategic distribution vary widely.

Many conceptual distinctions can be drawn among distributive strategies. Stokes et al (2013) propose to distinguish programmes generating public goods from ones targeting individuals. Public goods might benefit all contributors, or they might create subsidy for public expenditures of narrower geographic constituencies (pork-barrel politics as suggested by Aldrich, 1995). Benefits in this sense might be reversible like public employment or irreversible such as roads (J. A. Robinson & Torvik, 2005). Political parties can make long-term and slow-moving investments in basic programmes by campaigning, on the margins, offering 'tactical distributions' (Dixit & Londregan, 1996). Incumbents have the advantage of controlling benefits exclusively or they might be controlled if their opponents are economic monopolists (Medina & Stokes, 2007).

Figure 3.1 below depicts the categories of distributive politics with their differing channels of distribution. As reiterated by Stokes et al (2013), there are two distinctions in distributive politics i.e. programmatic vis-à-vis non-programmatic distribution. The other important difference is between unconditional benefits and conditional exchanges.



Source: modified from Stokes et al (2013)

Figure 3.1 Types of Distributive Politics

For a distributive strategy to be programmatic, according to Stokes et al (2013), two things must be true. First, the criteria of distribution must be public. Often, a public discussion precedes the design of distributive policies and their implementation. Even when *ex ante* public debates are absent, the criteria of distribution are available for public discussion. Second, the formal criteria of distribution must actually shape the distribution of resources.

Post-1998 political reforms in Indonesia redistributed power from the executive to the legislature, and devolved substantial elements of authority from central to subnational governments. New freedoms spawned more political parties to contest elections with no single party able to command a clear majority. This caused Indonesian politics since 1999 has been characterised by coalition governments, divided parliaments, and policy stasis.

As a corollary of decentralisation, Indonesia also embarked upon democratisation. The first democratic election was held in 1999 and around 48 parties competed for legislative seats. Subsequently, the new format of the presidential election was held in 2004 to choose the president and vice president in one ticket. Furthermore, the country has held direct local elections, known as

pilkada, since June 2005 after reforming its electoral franchise the year before (Chen & Priamarizki, 2014; Government of Indonesia, 2010). The *pilkada* system allows Indonesian citizens to directly vote for the more than 500 mayors and district heads and 34 governors of the country. Direct *Pilkada* is considered by many as 'one of the most important achievements of Indonesia's democratic reform' (Fionna, 2015, p. 179). Prior to 2005, regional heads 'had been elected by provincial legislatures, giving elites ample opportunities to negotiate the outcome behind closed doors. The introduction of direct elections, by contrast, gave the final say in inter-elite competition in provinces to the electorate' (Mietzner, 2012, p. 213).

In spite of this, the *Pilkada* system had never been flawless. Various forms of patronage and clientelistic politics persisted and thrived. In many places, direct elections did not shake up the entrenched political traditions but resume the 'New Order' oligarchy (for a critical take on direct *Pilkada* from a pro-democratic point of view, see Choi, 2011). In addition to that, the political right in Indonesia repeatedly criticised high costs and a purported 'inefficiency' of *Pilkada*, endemic corruption as well as 'uncooperative regional heads' (Chen & Priamarizki 2014, p.1). Despite these, actual or alleged, flaws of direct *Pilkada*, experts concur that, in most instances, direct elections at local levels have led to greater participation from the ground. Qualitatively, direct elections have forced local candidates to appeal directly to their constituents rather than pandering to the elites.

3.2.4 Benefits and Risks of Decentralisation and Democratisation

The empirical evidence suggests that the quest for right balance, i.e. an appropriate division of powers among different levels of government, is not always the primary reason for implementing decentralisation. Instead, various political and economic events have often triggered such an interest. In addition, several other countries had stipulated laws on decentralisation with specific intentions. For instance, research by USAID (2009) provides two distinctive cases from Colombia and South Africa. The first case shows how the Colombian government designed the scheme of decentralisation as a clear response to violence. Meanwhile, decentralisation in South Africa was formulated as a substantial component during transition periods from apartheid to democracy. Elected local governments were expected to give citizens more voice in public affairs, and so reduce the 'reservoir of discontent' that fed insurgencies.

Lessons learnt from several countries show that decentralisation has a significant impact on resource mobilisation, macroeconomic stability, service delivery, and equity. Diverse arguments in favour of decentralisation are put forward, among others, by Breton (1998), Oates (1972), Tiebout (1956), Tresch (2002), and Weingast (1995) and as cited by Litvack et. al (1998, p.4), who have found that

public service are the most efficient when they are provided by the smallest authority in one region. This holds true when decentralisation is designed to support public management reform by minimising the span of control and reducing areas of responsibility (Aucoin, 1990, p. 122). Several studies have also revealed the potentially positive impact of decentralisation in several contexts, such as preventing rent-seeking (as found in Arikan, 2004; Fisman & Gatti, 2002; Fjeldstad, 2004; World Bank, 2000b), service delivery (see J. K. Ahmad et al., 2005; Dillinger, 1994; McLean & King, 1999), governance (Faguet 2014), conflict resolution (Sasaoka, 2007), and community development (e.g. D. W. Brinkerhoff & Wetterberg, 2013; Derick W. Brinkerhoff & Azfar, 2006). However, studies examining the positive impact of decentralisation are relatively scarce and are largely based on case studies of a single country or a group of countries, as argued by Ramesh (2013, p. 3).

On the other hand, there are also several possible negative effects of decentralisation, i.e. regional disparities, clientelism, and an inefficient bureaucratic structure (as can be seen in Cornelius, 1996; Fox & Aranda, 1996; Rodden, 2002; Stein, 1999; Wibbels & Rodden, 2002). Furthermore, decentralisation may seriously affect macroeconomic stability, particularly when the local government budget has a huge deficit as noted by Dabla-Norris and Wade (2002); Prud'Homme (1995); Tanzi (1996); and Ter-Minassian (1997). Recent decentralisation reforms in developing countries have often led to the coexistence of multiple tiers of government in given policy areas, triggering new accountability issues (Joanis, 2014, p. 36). Decentralisation has also been shown to increase income inequality in developing countries, as better governed and endowed regions can prosper while the rest fall further behind due to weaker redistribution capacity of the central government (Lessmann, 2012, p. 1385). Other important studies from Oyono (2004) and Treisman (2000) reveal findings on deteriorating government performance as well as a low degree of participation and democratisation. Nevertheless, both the approach and the results of decentralisation have varied widely between countries as concurred by Smoke and Lewis (1996, p. 1289). Thus, Oates (1998) argues that 'the case for decentralisation has often been made in a very general and uncritical way with little systematic empirical support' (p. 97). In recent years, these observations have led reformers and researchers to question how sensible decentralisation strategies are for the real situations in which they are applied in developing countries.

Although Indonesia has been engaged in one of the world's largest programmes of public sector decentralisation for more than two decades, the evidence from Lewis (2010) suggests that Indonesian decentralisation has not yet led to high quality local public services (p. 649). A similar argument is proposed by Kaiser et al. (2006) who are unable to find evidence of convergence or divergence based on associations with initial service delivery conditions and observed trends.

The rapid and far-reaching implementation of decentralisation has given rise to significant policy differences across regions. While some districts have introduced more efficient and responsive service environments, many have burdened the economy with new trade-distorting taxes, inefficient procedures, and administrative corruption (von Luebke, 2009, p. 202). In a similar vein, Fitriani et al. (2005) find that geographic dispersion, political and ethnic diversity, natural resource wealth and scope for bureaucratic rent seeking all influence the likelihood of uncontrolled regional proliferation in Indonesia (p. 57).

In fact, according to the report from the World Bank (2011), 'the newly-formed autonomous districts and cities vastly underperformed compared with existing entities.' Within this context, Sjahrir et al. (2014) argue that the proliferation of districts has not led to increased administrative spending, instead a lack of political accountability is responsible for this excess. Consequently, the degree of political competition influences the level of local spending significantly.

With regards to this problem, stricter regulations on the formation of new districts and provinces have been put in place. More importantly, the spatial distribution of consolidated public development expenditure is very unequal. This perspective concurs with Vidyattama (2013) who has suggested that the inequality of gross regional domestic product per capita may increase slightly (pp. 206-207). Responding to this situation, central spending mitigates inequality in the geographic distribution of sub-national development expenditure, at least to a certain extent (B. D. Lewis & Chakeri, 2004, p. 379). Given this condition, local governments hardly have equal fiscal capacity or the capability to provide standardised services to the public, let alone vulnerable groups in their regions. This resonates with the report from the World Bank (World Bank, 2012b) which notes that 'poorer local governments have greater need for SP particularly for relatively larger poor and vulnerable populations; however, poorer local governments often have lower capacity to raise revenues and lower capacity to deliver social services, including SP.'

3.3 Concepts and Theories Underlying SP

SP is depicted as an important agenda of most international agencies and has been adopted by many national government development strategies in recent years (Cook & Kabeer, 2009, p. 3). A number of factors explain this heightened interest: the growing awareness that economic growth alone cannot deliver broadened development goals, using social indicators such as literacy, health, and living standards. Considering the recent trend and the wide popularity of SP, Barrientos and Hulme (2010, p. 6) argue that a wide body of literature suggests that SP is an effective response to poverty and vulnerability in developing countries.

Undeniably, the definition of SP can be vague. There is an array of varying definitions which can lead to confusion. Increasing concern on the misused definition has been largely centred in a drift to a charity perspective, not a rights-based one (Standing, 2007, pp. 512–513). In very simple concept, everyone is merely persuaded if not obliged to contribute altruistically to a charitable scheme rather than building a sustainable and robust scheme adept at realising a number of economic, social, and cultural rights, such as the right to adequate living standards. In addition, Brunori and Reilly (2010) question whether almost any public intervention could be considered more or less directly part of the SP system (p. 7). Using this perspective, large government interventions such as education policy, pension systems, health care, and many other development policies will fall under a very vague definition of SP. This in fact may impede the understanding of its specificity. Furthermore, Bender (2013) notes that different definitions of SP exist, which is not simply a problem of different streams of research across various academic disciplines (p. 41). She argues that the existence of multiple concepts across countries is largely a reflection of different histories, cultural traditions, and prevailing values.

However, recent evidence suggests that the focus of the term SP has been made to risk and vulnerability, which has an indirect contribution to poverty (Barrientos, Hulme, & Shepherd, 2005, p. 8). In a similar vein, Devereux and Sabates-Wheeler (2004) argue against the popular perception of SP as social welfare programmes for poor countries. Furthermore, their notion challenges the limited ambition of SP policy in practice, which has moved slightly from its origins in the ‘social safety nets’ discourse of the 1980s, and aims to provide economic protection against livelihood shocks. They argue that SP can be affordable and be extended to entire populations with significant contribution to MDG targets of poverty reduction. Devereux and Sabates-Wheeler (2004) also argue that SP has the capability to empower marginalised people and be socially transformative. They discuss four dimensions of SP which are protective, preventive, promotional, and transformative measures (p. iii).

Recently, a number of authorities have acknowledged the social component of vulnerability and the importance to incorporate consistent support to chronically poor individuals (Brunori & Reilly, 2010, p. 13). These considerations have found a synthesis in wider definitions endorsed by a number of international institutions and academics. Differences in defining SP stem both from its priorities and from the fundamentals upon which the concept is based. Institutions that believe in a rights-based definition tend to widen the domain of SP, while institutions that endorse a risk and market-failure view tend to propose a narrower definition. Meanwhile, Barrientos and Hulme (2009) argue that the differences among concepts are mainly on the approach while keeping similar goals i.e. basic needs fulfilment (p. 442). They believe that over the last 10 years the overarching debate has moved on from

contrasting social risk management and basic human needs perspectives to a more ambitious focus on capabilities.

At this point, it is important to define SP and refer to the work of Devereux and Sabates-Wheeler (2004) that draws attention to distinctive conceptual and working definitions of SP. The former describes SP as public and private initiatives that provide assistance to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of marginalised groups. They define SP as follows:

[S]ocial Protection is the set of all initiatives, both formal and informal, that provide: social assistance to extremely poor individuals and households; social services to groups who need special care or would otherwise be denied access to basic services; social insurance to protect people against the risks and consequences of livelihood shocks; and social equity to protect people against social risks such as discrimination or abuse. (p.9)

While the definition of SP varies and is malleable consequently upon different stakeholders, a number of aspects are shared and concurred. However, debates around the philosophical foundations of SP, pertaining to their historical and global contexts, still ensue.

Clearly, the above-mentioned SP definition is echoed strongly by many scholars and development institutions. For instance, Barrientos (2011, 2013) mentioned that SP is almost always associated with a range of public institutions, norms and programmes aimed at protecting people (mainly workers) and their households from contingencies threatening basic living standards. Broadly following the notions from ILO (2005), these can be grouped under three main headings: social insurance, social assistance and labour market regulation.

The most recent discussion on the concept of SP has been revolving around the compatibility with international agenda or global consensus such as 2030 Agenda for Sustainable Development which largely reflect strong commitments of most developing countries. Critical discussion still take place surrounding the principles and practices of SP. The diverse implementation of SP emerges from the variety and dynamic of ideological, political, and social settings either domestically or internationally. Principles, mainly referring to the thoughts of fairness and moral obligations, are still debated whether it can direct SP to a just society. Meanwhile, practical issues pertained to the legislation, targeting, financing, execution, and management these days starting to take more attention.

3.3.1 Dominant Paradigm

In the past, social protection (SP) programmes are oftenly perceived as the luxury and prerogative of developed countries. Over the past 20 years, developing counties in the southern hemisphere has embraced, adapted and popularised SP as an instrumental policy for achieving poverty eradication and development goals. The speed of this expansion, and the urgency of its ever-expanding aims, has

perhaps left limited room for reflection regarding the philosophical antecedents that underlie SP. Implicitly or explicitly, these act as a rudder for directing SP in practice.

The wide variety of SP programmes that have emerged globally provides evidence that the rich and dynamic ideological, political and social settings into which new programmes and institutions are introduced are pivotal to setting a course for SP development trajectories, especially within the context of developing countries. However, as SP initiatives have expanded rapidly, practical issues related to legislation, targeting, financing, implementation, management and technology often take the main stage.

The paradigm has been influencing towards the formulation of post-2015 Sustainable Development Goals (SDGs), the successors of the Millennium Development Goals. In this new framework, SP is officially endorsed as an effective instrument for achieving both poverty eradication and inequality reduction. Such a strategic platform undoubtedly augurs well for the future global expansion of SP. The SDGs will be translated into each country's national agenda and might represent a negotiated and pragmatic international consensus around a mandate for action.

There are several features distinguishing an emerging paradigm in developing countries. Naturally, they have a strong focus on poverty reduction and on providing support to the poorest (Barrientos & Hulme, 2005; A. de Haan, 2000), whereas in developed countries the emphasis of SP is on income maintenance and on protecting decent living standards for all, notably workers. Using the Rawlsian perspective of social justice, Barrientos (2016) explains the tensions existing between a social justice-based social minimum and 'real' social assistance institutions emerging in developing countries. The growing paradigm in developing countries encompasses the discussion of main design and implementation in SP, particularly ones pertaining to issues on targeting.

Discourse on SP especially in lower middle income countries is still unfolding. Attention from development institutions remains high with the reports on specific issues of SP from the World Bank (2018) and its close relation to the achievement of SDGs as written by ILO (2017). Similarly, discussion among scholars has been showing critical attention towards wider aspects of SP as compiled in IDS Bulletin on SP for social justice (2011), IDS Bulletin on 'graduation'⁸ from SP (2015), and special edition of Global Policy which discusses principles and practice of SP (2016). The most recent literature on SP points towards cross-cutting contemporary topics such as pre-empting climate risks in the long-term (Costella et al., 2017), how to build adaptive SP to mitigate climate-related extreme events (Béné,

⁸ Graduation in this publication means leaving a SP programme after reaching a wellbeing threshold, once the participant has acquired a set of resources that is expected to equip them for a higher-income future livelihood.

Cornelius, & Howland, 2018), how to provide trans-national SP for (undocumented) migrants and the role of sub-national governments (Dobbs & Levitt, 2017; Faist, 2017; Levitt, Viterna, Mueller, & Lloyd, 2017), how to design SP using experimentation (Hanna & Karlan, 2017). Coinciding with the process of democratisation in many parts of the world is the dynamics of labour protest within the context of declining SP (Sil & Wright, 2018) while the effect of globalisation proxied by trade volume and its impact on SP for the poor in developing countries is elaborated clearly by Desai and Rudra (2018). The evolution of SP and varied implementation in developing countries are discussed extensively using the most updated information by Yi (2017).

The *raison d'être* of SP programmes in developing countries can be traced back to the various crisis events (such as the AFC in 1997-98, global financial turmoil in 2008) and policy responses. Barrientos and Hulme (2010) list three reasons why SP has gained increasing importance (pp. 3-5). First, only a few developing countries have income maintenance programmes as automatic consumption stabilisers. Second, it is relevant to focus on poverty and vulnerability reduction, particularly when the demand for public programmes to address the needs of other groups increases. In a volatile situation, policy responses tend to favour short-term responses which mainly address groups with stronger voice, such as the lower middle classes in urban areas. Third, it is found that emergency responses often turn out to be dysfunctional in the medium term: Cases from Latin America and Asian countries show the ineffectiveness of short-term emergency safety nets. In addition, SP has gained significant prominence due to at least three factors: a) as a response to global insecurity and vulnerability (Kiely, 2005; Rodrik, 1997); b) the increasing costs associated with the non-existence of SP (Dercon, 2004; Morduch, 1999); c) the adoption of the Millennium Declaration in 2000 that has focused the attention of international stakeholders on poverty and vulnerability reduction more than any other previous initiative (Greig, Hulme, & Turner, 2007).

For most parts of the history, the debate on social assistance has involved choices about whether the basic principle behind social provisioning will be 'universalism', or selectivity through 'targeting' (Mkandawire, 2005). Under universalism, the entire population is definitely the beneficiary of social benefits as a basic right, while under targeting, eligibility to social benefits involves some kind of means-testing to determine the 'truly deserving' recipients. Policy regimes are hardly ever purely universal or completely based on targeting, they tend to lie somewhere between the two extremes on a continuum, and are often hybrid, but where they lie on this continuum can be decisive in spelling out individuals' life chances and in characterising the social order. Inevitably, as mentioned by Devereux (2016), targeting as a mechanism for allocating scarce public resources efficiently and equitably has come under sustained attack, for two main reasons: 1) the apparent impossibility of

achieving perfect targeting accuracy; and 2) ethical reasons – social divisiveness and perceptions that excluding some people from benefits is socially unjust.

With reference to SP policy in practice, the implementation in developing countries has several distinguishing characteristics. In the Indonesian case, the impetus of SP policy originates from the onset of the economic crisis in mid-1997 (Sumarto et al., 2008, pp. 121–131). This case thus has a different driver to the formation of post-World War II ‘welfare state’ in western countries as described by a number of scholars, including Gough (1979), Gutmann (1988), and Esping-Andersen (1990). The aftermath of crisis impacted society, primarily the poor and vulnerable, forcing policy makers to launch social interventions to mitigate the adverse social impact of the crisis. Government intervention during the 1997 crisis had been focused on the social safety net (*Jaring Pengaman Sosial* or JPS) programme with assistance from international agencies such as the World Bank and IMF. However, there was considerable criticism at the inception phase, perhaps most significantly for the impact on traditions of community self-help (*gotong royong*) and the associated social fabric, by fostering a ‘beggar’ or subsidy mentality (Pritchett, Sumarto, & Suryahadi, 2002; Sumarto, Suryahadi, & Pritchett, 2010). Such critique might be largely attributed to the fact that government had previously never introduced any intervening mechanism in the form of direct assistance. Similar comments in developed countries can be found on the controversy surrounding welfare states such as Murray (1990, in Dean 2012, p. 92) who claimed that welfare provision fosters ‘dependency culture’.

The SP policy in Indonesia was almost non-existent during the pre-crisis period. People relied heavily on informal mechanisms that are identified as the ‘moral economy’, as cited in Ravallion and Dearden (1988). Households managed to redistribute outcomes of traditional government-run social programmes through private giving between families and within communities. Traditionally, consumption smoothing, borrowing and drawing on buffers, such as savings and assets, seem to be key informal coping strategies for the poor when facing idiosyncratic shocks such as illnesses (Sparrow, van de Poel, et al., 2013). There was no nationally representative data to measure the social impact of crises until after the 1997 crisis struck the country (Wetterberg, Sumarto, & Pritchett, 1999). This caused difficulties in measuring the severity of the crisis and the effectiveness of safety net programmes.

Further, different administration periods in the turbulent years after the crisis have strongly emphasised poverty reduction which aimed to provide a safety net to its citizens. Significant fiscal pressure grew from 2005 from a burgeoning proportion of the government budget needed for an oil subsidy. This situation motivated the government to launch ad-hoc cash transfer programmes as a means of directing subsidies to the poor and vulnerable (K. Sen & Steer, 2005, pp. 288–291). At that time, identifying 15.5 million poorest households as cash recipients was a challenging task. The census

was performed under great pressure with a very tight deadline. Early implementation of the scheme has, predictably, faced serious problems. There have been numerous cases of exclusion and inclusion errors of targeting. Further oil subsidy reductions occurred in 2008 when macroeconomic growth was still strong but international crises buffeted Indonesia. This led to a further reduction in oil subsidies again in the second quarter of 2008 which led to the government announcing its intention to re-launch another cash transfer programme for 19.1 million families (McLeod, 2008, p. 194). Qualitative assessment of cash transfer programmes has shown social discontent and social unrest due to lack of targeting accuracy, although the programmes do help beneficiaries to smooth consumption when facing shocks (Oxford Policy Management, 2012). In 2008, rather than undertaking structural reforms on energy and food prices, the government decided to outline a 'three-cluster strategy' consisting of: family-based direct assistance provision; community-based empowerment assistance, and micro-credit provision for small businesses (Ashcroft & Cavanough, 2008, pp. 357–358).

In addition, transformation in the social policy approach was initiated by the introduction of targeted programmes during the 2005-2009 administration. These covered five major sectors: food security, employment creation, education, health, and community empowerment (Suryahadi et al., 2010). The targeting mechanism evolved starting from 2011 by the creation of a unified database comprising the lowest 40 percentile households as rosters for beneficiaries (Suryadarma & Sumarto, 2011, pp. 169–170). The progress in targeting provides an instrumental tool for agencies and local governments to better deliver benefits.

The evolution of Indonesia's SP policies had been accompanied with institutional changes in poverty reduction efforts, such as the establishment of the National Team for Accelerating Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan*, TNP2K) in 2010 under the direct command of the Vice President (Suryadarma & Sumarto, 2011, p. 167). More recently, the implementation of universal programmes such as social health insurance has been the most recent attempt to transform SP programmes in Indonesia (Allford & Soejachmoen, 2013; Simmonds & Hort, 2013).

3.3.2 Challenges to the Dominant Paradigm

There has been a very rapid extension of SP programmes in developing countries over the last decade. This has focused on social assistance, as opposed to social insurance or labour market regulation (Barrientos & Hulme, 2009) and has come in many forms: the introduction and extension of pure income transfers, such as non-contributory pensions or child based transfers; income transfers conditional on work, for example, public works or employment guarantee schemes; income transfers

combined with services, such as conditional cash transfers or integrated social assistance schemes; and more recently, the development of integrated poverty reduction programmes.

In a relatively short time, several social assistance programmes have been introduced and expanded. Several notable examples are mentioned by Barrientos (2010) such as The Minimum Living Standards Scheme in China that expanded from 2.4 million beneficiaries in 1999 to over 22 million in 2002. The Child Support Grant in South Africa started in 2001 and rapidly reached over 7 million beneficiaries in 2005. The Bolsa Escola in Brazil, a programme providing income transfers to poor families with school age children, was extended on a national basis in 2001, and the Bolsa Familia (an integration of Bolsa Escola and other transfers to poor households) now reaches 12 million households. The Employment Guarantee Scheme in India approximately reaches 24 million families. As the transfers support entire households, the number of those in poverty reached by these transfers is considerably larger. In South Africa, it is estimated that one in four households is supported with income transfers (data compiled from International Labour Office Social Security Department, 2009; Ministry of Rural Development, 2013; Yuebin, 2001).

There are, however, concerns over the financing of SP extension in developing countries. Concerns are more acute in the case of low-income countries (W. J. Smith & Subbarao, 2003). The concern is less about current affordability than about long-term financial sustainability. Affordability is less of an issue when the costs of not having SP are factored in. The issue is long-term sustainability, as developing countries are not in a position to finance the extension of SP through payroll taxes, central to the emergence of the welfare state in developed countries. The current gaps in effective SP have significant costs to society in terms of poverty and vulnerability (International Labour Organization (ILO), 2005). These gaps place restrictions on the development of human capital which themselves become a constraint on growth and development (Bourguignon, 2004). Alternative sources of resource mobilisation will be needed. Capacity constraints are a protracted problem in low-income countries, but this is a more tractable issue than finance.

In the case of Indonesia, the World Bank (2012c) has attempted to undertake the Social Assistance Public Expenditure Review on the Government of Indonesia which provides a thorough analysis of SP budget effectiveness. Findings on this report show significant increase in public expenditure for SP although it is argued that further improvement could be made subject to subsidy reallocation. In spite of its detailed review on social expenditure, this report only focuses on central government investment in programmes to protect poor households from shocks. It claims that a small budget share of social expenditure has led to programmes with a relatively low impact. Performance of local government in nationwide SP programmes was discussed in a limited fashion with particular accentuation stress on the decreasing role of central government. The report also found that lack of

legal clarity in technical guidance for sub-national government inhibits social assistance initiatives at the local level.

Another important finding from Alatas (2011) is that the involvement of Indonesian local governments in the conditional cash transfer programme, a centralised government scheme, did not meet expected results due to insufficient supply side issues, namely health and education facilities. The problem has become more complicated because decentralisation has reduced the interactions between central and local governments.

Nevertheless, the role of local government as a primary stakeholder in implementing social policy has been considered important. It is emphasized particularly in rural communities characterised by high levels of poverty, inequality in land, social status, literacy and/or political power (Bardhan & Mookherjee, 2006a). Also, research from Sumarto (2013) reiterates the positive impact of establishing regional institutions for poverty reduction. Yet, important findings from Crook and Sverrisson (2001) reveal the limited responsiveness of local government to the poor, determined mainly by the politics of local-central relations. Their study analysed the data from 12 countries and concluded that positive outcomes are mainly associated with a strong commitment by a national government or party to promote the interests of the poor at local level. Meanwhile, Priyadarshie and Hossain (2010) draw on empirical observations in India's SP programmes and offer suggestions for the lowest level village administration to incorporate mechanisms to enhance the participation of the poor.

With regards to the issues of targeting, there emerges albeit still little attention paid to the social consequences of mistargeting in the economics literature. One among these observation is Alatas et al (2012) which uses a 'randomized controlled trial' (RCT) to show that while statistical targeting methods can do a better job of identifying households with low per capita expenditure, community rankings result in higher community satisfaction. Proxy means testing (PMT) as a statistical method for targeting was initially adopted in Indonesia to complement the implementation of poverty census in 2005 for identifying cash transfer beneficiaries (World Bank, 2012b, pp. 15–17).

Identifying the poor, particularly in developing countries, is a formidable task and often complicated by a lack of reliable data (or imperfect information about which households are poor), logistical challenges to undertake a census, and limited administrative capabilities. Accordingly, with the support and influence of various development partners, a novel concept on targeting beneficiaries began to emerge. Practitioners across the world have increasingly turned to some form of 'proxy means testing' (PMT) which emphasises the use of asset ownership to identify poor households. The purpose of PMT is simple: a score is given to each household in the relevant population based on a (typically small) set of readily observable household characteristics. The weights on these

characteristics are given by the regression coefficients for household consumption or income as a function of those characteristics.

PMT has been adopted and implemented to support SP programmes all over developing countries with varied success rate. The earliest evaluation on PMT by Grosh and Baker (1995) describes and compares practical experiences for three countries i.e. Jamaica, Bolivia, and Peru. Overall, the results are somewhat mixed. Problems of undercoverage (exclusion error) occurred in urban Jamaica and Bolivia, while Peru suffered higher leakage (inclusion error). Extensive analysis on the advantages and disadvantages of PMT by Coady et al (2004) shows that in average PMT did indeed work effectively yet around 25 percent of SP programmes had shown regressive results. They further elaborate that the differences in targeting performance are partly explained by differences in country characteristics as follow:

- Countries with better capacity for programme implementation, as measured by GDP per capita do better at directing benefits toward poorer members of the population.
- Countries where governments are more likely to be held accountable for their behavior—where ‘voice’ is stronger—appear to implement interventions with improved targeting performance.
- Countries where inequality is more pronounced and presumably differences in economic well-being are easier to identify demonstrate better targeting outcomes.

Technically, PMT according to Coady et al (2004) can be described as a ‘scoring’ process for each household that is calculated based on a small number of easily observable characteristics and a weight (usually obtained from factor or regression analysis of household data). Eligibility is determined by comparing the score against a predetermined cut-off.

Arguably, PMT offers at least three advantages:

- is verifiable, may reduce concerns over politicisation or randomness of benefit assignment.
- uses readily observable household characteristics.
- is less likely to affect work effort.

However, PMT also has limitations on four points as follow:

- may seem mysterious or arbitrary to some.
- requires large body of literate and probably computer-trained staff, moderate-to-high levels of information technology.
- inherent inaccuracies at household level, although good on average.
- insensitive to quick changes in welfare, as in a crisis or in some transition countries.

The term 'proxy means test' is used to describe a situation where information on household or individual characteristics correlated with welfare levels is used in a formal algorithm as a proxy for household income, welfare or need (Grosh & Baker, 1995). At first, the idea of using proxies for income is appealing given the administrative difficulties associated with sophisticated means tests and the inaccuracy of simple means tests. However, it seems that the application of PMT is susceptible to the cause of resentment, hostilities, and often violent events in many places. Further, the findings from Cameron and Shah (2014) elaborate the types of mistargeting that are more harmful like 'leakage' (the share of ineligible households who received the funds) is a strong determinant of both increases in crime and decreases in social capital. In contrast, undercoverage (the share of eligible households who did not receive the payment) is not a significant determinant of crime and is not a predictor of changes in social capital.

3.3.3 The Significance of the Concepts and Theories Underlying SP

The introduction of safety net programmes in the late 1990s and SP in the mid 2000s as opposed to the 'broad-brush' policies (refer to various sectoral policies aiming to reduce poverty rate) in the past had emerged many subjects to much debate. Although it is less ideological and much more technical, the discourse seems do not end yet. Prominent among these debates is whether poverty alleviation needs its own budget allocation or not. Supporters of this view always propose an argument revolve around the affirmative policies directed towards the lower segments of welfare group. Meanwhile, the critics tend to be skeptic with the arguments of ineffectiveness and the absence of good governance.

Significant transformation in the design of SP was initiated by the introduction of targeted programmes during the 2005-2009 administration terms. With this transformation, SP programmes became a part of three clusters in the newly devised poverty alleviation framework in Indonesia (Suryahadi et al., 2010, p. 11). Table 3.1 provides the list of the poverty alleviation programmes, disaggregated into three clusters, available in the country to date.

Most of the programmes under cluster I (Social Assistance) have been maintained and expanded using largely similar concept. Major transformation occurred only for rice subsidy. Although rice is considered staple food for most of the population, it proved difficult to distribute and stored. Logistical issues caused many troubles especially regarding distribution scheme in rural or remote areas. This difficulty persisted and made government to alter the design and implementation thoroughly. These days, rice distribution have been replaced with cash and in-kind transfers. Cash transfers are undertaken electronically in cooperation with the network of the largest banks while for in-kind

transfers are distributed through the networks of convenience shops in rural and urban areas. Meanwhile, other programmes like conditional cash transfer and *Jamkesmas* (social health insurance) were expanded up to national level (Yusuf & Sumner, 2015, pp. 342–343).

Review of cluster II. The administrative management of community empowerment programmes had been shifted to different agency. It has been re-packaged with distinctive brand and main concept of empowerment is preserved although the scope is now focused at the village level through the disbursement of Village Fund (*Dana Desa*) effectively implemented since 2015. Facilitators as the main component in the empowerment programme is kept with slightly different functions compared to the previous tasks. Cluster II had been designed as the core of the SP. Of all other clusters, this empowerment group had taken the largest budget (\$3.6 billion from its inception to fiscal year of 2013).

Review of Cluster III. Meanwhile, cluster III (micro credit, loans, and incentive for small businesses) had not developed quite well. From its inception, the coverage of its target is relatively smaller than that of Cluster I and Cluster II. It managed to provide seed fund for Small and Medium Enterprises (SMEs) and the disbursement had reached \$1.15 billion from 2007-2014 with the rate of non-performing loan recorded as low as 3.3 percent. This scheme has been indicated to absorb around 20 million labours.

In sum, most of the programmes under cluster I to cluster III has been developed and to large extent the coverage of its beneficiaries have been expanded although the degree of expansion has been lower than expected. Fuel subsidy cut in November 2014 were presumed to support the expansion of SP programmes, especially after the visions of the President-elect, Joko Widodo (Jokowi) at that time which focuses largely on welfare development. In fact, Jokowi's budget reallocations to infrastructure showed that the administration attempts to repeat the past developmentalism of Suharto (Warburton, 2016).

Table 3.1 Three Clusters of the Poverty Alleviation Programmes in Indonesia

Elements	Poverty Alleviation Programme		
	Cluster I: Social Assistance Programme	Cluster II: Empowerment Programme	Cluster III: SMEs Support Programme
Target population	Poor households	Community	Groups within community having small (start-up) business
Goals	Reduce economics cost burden of the poor	Improve the poor's income and affordability	Improve savings and business sustainability of

Elements	Poverty Alleviation Programme		
	Cluster I: Social Assistance Programme	Cluster II: Empowerment Programme	Cluster III: SMEs Support Programme
			small and micro enterprises (SMEs)
Instruments	BLT (unconditional cash transfer) PKH (conditional cash transfer) <i>Jamkesmas</i> (social health insurance) Raskin (rice subsidy for the poor) BSM (scholarship for the poor) Social assistance for disabled, elderly, children	PNPM Generasi (community-based conditional cash transfer) PNPM-Rural (community-based village infrastructure development) PNPM-Urban (community-based urban infrastructure improvement) RISE (Rural Infrastructure Socio-Economy which focuses to reduce regional gap and introduces concept of 'activity sharing' between central and local governments)	Soft-loan scheme for the poor

Source: Adapted from Suryadarma and Sumarto (2011)

Since the inception phase of SP implementation, the debate on how to deliver the benefits dominated the discourse. It became clear when subsidy had proven ineffective to reach the poorest group. Energy subsidies as a core policy instrument for stabilising prices and protecting the general welfare of the population seemed irrelevant when transport costs depend not only on fuel prices, but also on road infrastructure and the quality and availability of public transport (Perdana, 2014). Moreover, benefits are only conferred if subsidised fuel actually reach consumers. Yet, in fact, many areas in Indonesia reported the energy prices that are far above their official subsidised levels, and have also experienced recurrent shortages in remote areas possibly due to additional logistical cost and smuggling activities. The most important point lead to the ineffectiveness is that fuel subsidies have unequal distributive effects. Since there is no restriction on the purchase of subsidised fuel in retail outlets, every household, regardless their welfare status, has a similar chance to buy subsidised fuel (Widodo, Sahadewo, Setiastuti, & Chaerriyah, 2012). This causes the subsidy became regressive as Perdana (2014, p. 6) shows that high and upper-middle classes consume more energy, and hence most of the subsidy allocation is enjoyed by these richer households.

The introduction of targeting in SP programmes is considered as an important breakthrough. Previously, during the New Order, the government chose to undertake blanket subsidies to stabilize the prices of fuel and other important commodities. Some programmes involved rudimentary forms

of targeting. For example, rural infrastructure programs or block grants to poor villages aimed at particular geographic areas, while policies such as credit for farmers targeted specific employment sectors. Although the extent of targeting was limited, from the early 1970s until the late 1990s Indonesia did achieve significant poverty reduction using this 'broad-brush' approach (Perdana, 2014, p. 6).

Opting for a targeted approach, government programmes in Indonesia have been the subject of extensive studies seeking to identify the factors that ensure or hinder success in delivering SP programmes. Such factors that have received a lot of attention recently include the determination of the poverty line, which is administered unilaterally by a central agency (Statistics Indonesia/BPS). Although its methodology adopts acceptable standards, the national poverty line in Indonesia (almost equivalent to the international absolute poverty standard of \$1.5 per day) is very distant from the income actually needed for a decent livelihood (Yusuf & Rum, 2013). Therefore, the idea of increasing the standard to \$2 per day for the international poverty line, which is comparable across countries in PPP terms, is a critical aspiration (Sumner & Edward, 2014). Another issue relates to the official measurement of poverty, as certain robustness checks such as comparability of poverty levels and poverty profiles still need attention (Priebe, 2014).

In a decentralised and democratic regime, political scientists usually refer to the theoretical findings of partisan attachments and distributive politics. This is undeniably relevant to the case of burgeoning SP in Indonesia after 2005 when the direct election was officially launched. Yet, many political analysts believe there are also low-level operative factors playing in the Indonesian political system (S. Hidayat, 2009). What has become the dominant view among theorists or analysts is similar to the practitioner's rule of thumb: a party will not waste its resources on loyal supporters (or on die-hard haters), but instead spend on swing voters (Cox, 2009). The main reason is that parties will use largesse to change people's votes; swing voters, with no prior commitment to one party or another, will be uniquely responsive.

The intuition behind the 'rule of thumb theory' is straightforward. However, it is not necessarily supported by the hard facts. In some countries, there is a tendency that distributive politics has shifted over time from vote buying and other non-programmatic forms (following the definition of Stokes et al 2013) to programmatic politics. However, particularly in developing democratic countries, the transition towards programmatic politics⁹ is still plagued by a clientelistic approach in distributing

⁹ As opposed to patronage politics (and clientelistic politics) which involve an informal exchange between a politician and citizen, programmatic politics focuses largely on collective benefits i.e. something that benefits not just individuals but society more broadly. This includes provision of public goods or adoption of policies that improve living standards for the community at large.

largesse or benefits (H. Kitschelt, 2000; H. Kitschelt & Wilkinson, 2007; Stokes, 2009). In this context, the broker-mediated model helps make sense of the macro-dynamics of the demise of the party machine. It happens usually because leaders both rely on but suffer under their electoral agents. Grasping the imperfect agency relations between party leaders and their brokers helps to clarify the macro-logic of transitions between clientelism and programmatic politics.

With the weakening of *aliran* politics in Indonesia, the pragmatic approach of social policy distribution is emulated in every political party (Ufen, 2008). The public often cannot distinguish between the differences in platforms between parties. Therefore, people often think there are similar ideologies in every party. The burgeoning number of new political parties (secular, nationalist, or Islamist) formed after the Suharto era was simply viewed by laymen not as a significant step towards democracy but rather as a different means to grappling with power.

Hadiz and Robison (2013) and Winters (2011; 2013) among other political scientists point out that the power of oligarchy has still not diminished, but rather has survived through different regimes in Indonesia. With deeply entrenched influence, political actors manage to utilise informal networks in their electoral area. Brokers undeniably play the most important role in garnering votes, but more importantly, it is the benefit to the potential voters that matters significantly.

On the eve of elections, candidates often assemble successful team members (*anggota tim sukses*) or volunteers (*relawan*) to distribute cash or benefits to the neighbourhoods (Edward Aspinall & Sukmajati, 2016, p. 5; Suaedy, 2014). Some benefits might be added if candidates manage to secure votes or win seats. Road improvement or infrastructure such as school building or housing are mainly built once candidates win the election. These days, candidates no longer rely on conventional benefits like cash, but they often promise to give more 'sustainable' programmes.

Health care and free education are the most popular agenda candidates usually pledge in their campaigns (Rosser, 2012; Rosser & Sulistiyanto, 2013). Although this practice of 'bribing' potential voters with social policies is seemingly not ideal, this can arguably be said to be a major step in deepening democracy. Within this concept, there are attempts to move the focus away from regular elections to further strengthening of citizenship and democratising the state by transforming citizens from passive actors in dependent relationships with politicians and political parties into active ones who can demand public goods provision from the state.

Most of the benefits were not designed properly and lacked inputs from wider stakeholders. For instance, health care is offered generously without preparing the supply side in a lagged region (B. Hidayat, Thabrany, Dong, & Sauerborn, 2004). This ill-conceived strategy might backfire for the candidates as it will cause public dissatisfaction, eventually causing the vote to shift to other

candidates or leading to reduced turnout. In a similar vein, some candidates promise generous entitlement programmes prior to elections but then decide to cancel this after entering leadership mainly due to the fact that implementation would be unrealistic.

Lacking the basic concept of SP and relying solely on the short-term approach to distribute social policies entail the beginnings of failure. A successful leader usually does not promise much but tends to rectify urgent issues in public provision. Another important factor is the willingness to cooperate within the existing framework of decentralisation which revolves heavily around intergovernmental transfer. Regional government cannot work individually to provide portable social policies and a substantial portion of funding is still managed by the central government (Rokx, Schieber, Harimurti, Tandon, & Somanathan, 2009).

3.4 Scoping Study and Search Results

This section will present the process of identifying and collating findings and important results using potential keywords in relevant academic journal repositories or databases. The process is undertaken through several steps. First, a scoping study attempts to revisit the connection between relevant keywords. Second, the study delved into an electronic bibliographic database and website search. Third, a supplementary component was prioritising papers that resulted from previous extensive searches. These search results are presented briefly in the following pages.

3.4.1 Scoping Study and Field Mapping

The purpose of a scoping study is to identify possible interconnection between fields relevant to the literature review. In this paper, the term scoping study is used to refer to a systematic classification of various topics which might intersect with one another. The diagram below illustrates some of the main potential keywords on each topic. It is apparent from the diagram that topics on decentralisation, democratisation, and SP are interrelated to several sub-topics which might be plausible for further elaboration. However, field mapping in these clustered topics must be attempted to seek specific topics that lie at the intersection of decentralisation, democratisation, SP, and local governance.

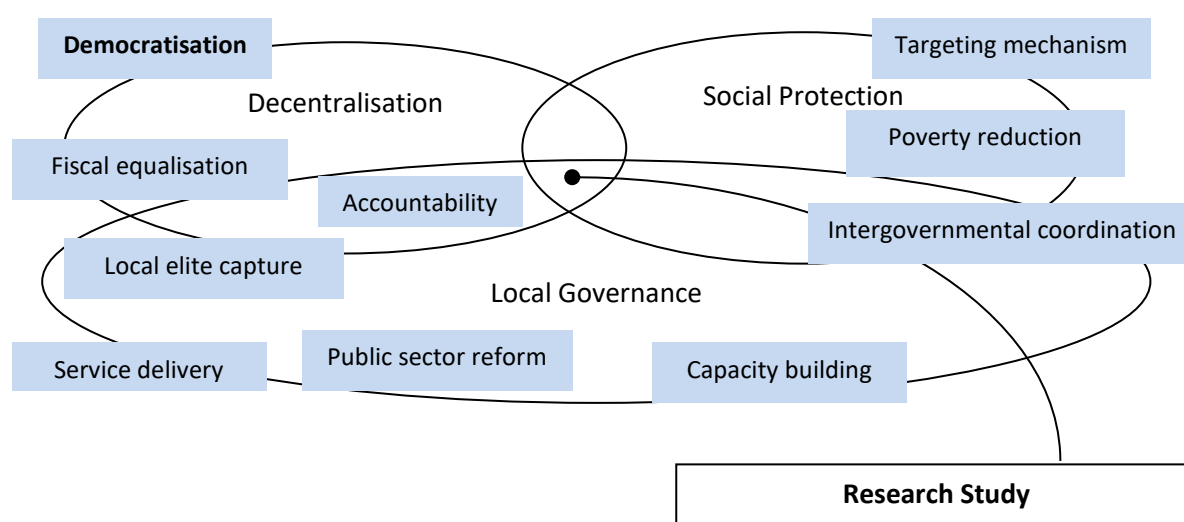


Figure 3.2 Field Map of Research Study

Equally important is to identify technical keywords for investigating important sub-topics. In this paper, sets of keyword strings are proposed to give initial guidance on systematic search. Keyword strings for each topic domain are provided in the table below.

Table 3.2 Keyword Search Strings

Topic Domain	String No.	Search Strings
Decentralisation	1	[decentrali*ation*] OR [devolution] OR [deconcentration] AND ["fiscal equali*ation"]
Democratisation	2	[democrati*ation] AND [election] AND ["local politics"] AND ["local election"] AND ["direct election"]
Social Protection	3	["social protection"] OR ["social security"] OR ["social assistance"] OR ["social insurance"] AND ["poverty reduction"] AND ["gender"]
Local Governance	4	[accountability] AND ["good governance"] AND ["public sector reform"] AND ["capacity building"] AND ["service delivery"] AND ["intergovernmental coordination"]

3.4.2 Electronic Bibliographic Database and Website Search Results

An extensive range of economic and social databases were searched (Google Scholar, EconLit, International Bibliography of Social Sciences (IBSS), SCOPUS, ASSIA, JOLIS, and 'grey literature'), using several combinations of relevant search terms and Boolean logic operators over the period from January 1999 to January 2017, supplemented by a search of relevant web sites. The detailed results are presented in Table 3.2.

Table 3.3 Search Results on Peer-Reviewed Literature*

Keywords	Google Scholar	EconLit	IBSS	SCOPUS	ASSIA	JOLIS
String No. 1 [Decentralisation]	5,900	7,953	1,954	17,622	19,867	2,698
String No. 2 [Democratisation]	738	10,335	1,796	53,249	11,633	5,881
String No. 3 [Social Protection]	18,000	26,838	2,354	23,031	27,670	5,716
String No. 4 [Local Governance]	24	42,024	3,943	77,058	11,164	11,061
String No. 1 [Decentralisation] AND Indonesia	862	1,781	298	533	146	91
String No. 2 [Democratisation] AND Indonesia	261	1,568	246	556	47	50
String No. 3 [Social Protection] AND Indonesia	13,100	1,402	227	1,032	175	40
String No. 4 [Local Governance] AND Indonesia	2	2,782	333	544	188	28
String No. 1 AND No. 2 AND Indonesia	2	408	42	184	19	6
String No. 1 AND No. 3 AND Indonesia	35	297	62	54	20	1
String No. 1 AND No. 4 AND Indonesia	5	586	35	118	47	5
String No. 2 AND No. 3 AND Indonesia	3	175	44	23	17	1
String No. 2 AND No. 4 AND Indonesia	2	663	71	51	22	3
String No. 3 AND No. 4 AND Indonesia	17	324	64	16	27	6
String No. 1 AND No. 2 AND No. 3 AND Indonesia	4	85	6	3	6	0
String No. 1 AND No. 2 AND No. 4 AND Indonesia	1	262	14	20	13	0
String No. 1 AND No. 3 AND No. 4 AND Indonesia	48	149	3	2	10	1
String No. 2 AND No. 3 AND No. 4 AND Indonesia	3	94	3	2	5	0
String No. 1 AND No. 2 AND No. 3 AND No. 4 AND Indonesia	4	69	1	1	4	0

*) Search based on literature published 1999-2017

3.4.3 Literature Search Results

While the literature search on each subject resulted in an enormous number of studies, relatively few studies have been carried out that explicitly focus on the linkages between two topics or more. For instance, a search in EconLit, one of the most comprehensive databases of indexed publications, came up with only 69 references (in English) to decentralisation, democratisation, and SP with the context of Indonesia for the period 1999 to 2017. SCOPUS, the major multidisciplinary database of bibliographic information gathered from thousands of scholarly journals, came up with only single hit on a similar string and period. A search in the JOLIS Library Catalogue of the World Bank and the IMF identified 91 hits under the keywords 'decentralization in Indonesia', which became narrowed down to merely a handful of publications when the search was combined with other keywords combinations.

The result above, with relatively few scholarly publications having explicitly studied linkages between keywords surrounding the topics of decentralisation, democratisation, and SP, is reflected in the widely used volume of the Handbook of Fiscal Federalism edited by Ahmad and Brosio (2008). None of the articles included in the book deals explicitly with SP (one article focuses on decentralisation and service delivery). The comprehensive readings on Decentralization Briefing Notes edited by J. Litvack and Seddon (1998) contains only one article related to SP that is directly linked to local authorities: Decentralization and Safety Nets.

This search on bibliographic databases yielded 120 possibly relevant 'hits' which were downloaded (abstracts where possible, titles otherwise) and reviewed. Of these only 14 were deemed relevant and the full paper obtained and reviewed. The websites together yielded 236 potentially important papers, which were obtained and reviewed. A review of the references contained within those papers yielded 56 additional papers for review. Thus, in total, 69 papers, articles, books, and reports were reviewed fully (marked by * in the reference list).

3.4.4 Criteria for Prioritisation of Papers

Papers in this area may have a broad or narrow focus, according to whether, for example, they focus on SP specifically or poverty more generally, whether they focus on the experience or viewpoint of a single country, a region, or more globally, and whether they focus on local governance specifically or decentralisation more generally. Clearly, the relevance and importance of these papers to the specific issue of SP within decentralisation will differ. Papers identified were therefore categorised according to three dimensions:

1. Sector: concerned with decentralisation generally or local governance specifically;

2. Geography: specific to developing country case or not;
3. Social Protection Specificity: cover all types or concerned with a type of SP specifically.

These papers were then 'priority rated', according to these dimensions, as:

1. High priority: papers specifically concerned with decentralisation, democratisation, and SP and were developing country-specific. For instance, Priyadarshee and Hossain (2010); Fossati (2016a).
2. Medium priority: papers concerned with decentralisation more generally and were concerned with SP, but were not developing-country specific such as a paper by Ezcurra and Rodriguez-Pose (2009);
3. Low priority: papers concerned with decentralisation more generally and were not SP-specific. For example, see Direktorat Otonomi Daerah - Bappenas, (2011); P. Smoke and Lewis (1996); The World Bank (2003a); Turner, Podger, Sumardjono, and Tirthayasa (2004); von Luebke (2009).

Only those papers rated as medium or high priority were used as the basis for the discussion in this thesis (these are marked by # in the reference list). Short summaries for every reviewed paper are provided in [Appendix A](#).

3.5 Key Issues Arising from Literature Review

There are considerable gaps in the knowledge base for decentralisation and SP, particularly for case studies in developing countries. Most of the literature is 'data free', based on theory, assumption, or conjecture. It is therefore impossible to fully assess the potential impact of decentralisation on SP, and thus make informed recommendations. This is critical because there is no time limitation on decentralisation and democratisation, meaning that one cannot turn back to an arrangement of centralisation in the long run. This section outlines the author's perception of the four primary gaps in the literature that require further research. The intention is to prioritise where evidence is required by countries in order to enable a better assessment of the potential impact of decentralisation on SP.

3.5.1 Mixed Impacts on the Relationship between Decentralisation, Democratisation, and Improved Local Service Delivery

One basis on which to assess the impact of decentralisation is local service delivery in the country under question. This is important for two reasons in particular. First, basic services, such as health, education, water and sanitation, all of which are the responsibility of the state, are systematically

failing and especially failing poor people. Services are failing because they are falling short of their potential to improve outcomes. They are often inaccessible or prohibitively expensive. But even when accessible, they are often dysfunctional, extremely weak in technical quality, and unresponsive to the needs of a diverse clientele (World Bank, 2003b). Second, these services are consumed and provided locally as most of them are categorised as non-tradable goods and services.

Robinson (2007a) identifies that in general, literature on decentralisation and service delivery can be grouped into two categories: a) on opportunities for increased people's participation and increased accountability of local authorities, and b) on forms of service delivery involving a plurality of actors. A major problem with the empirical literature is that there is no systematic or comparative evidence on whether increased participation in decentralised local governance generates better outputs in terms of improvements in the provision of health, education, water and sanitation services for poor and marginalised people. In a similar vein, efforts to measure development outcomes, such as the rate of poverty reduction or improved social indicators, and to attribute these to changes in devolution and participation, are inconclusive and plagued by methodological contention (R. C. Crook & Sverrisson, 2001; Dyer & Rose, 2005).

The Asia Foundation (from 2004) launched a series of studies to evaluate the impact of decentralisation in Indonesia. Its findings suggest that early decentralisation successfully promoted the establishment of three important conditions: (i) an increased awareness and respect for people's participation in the political process at the local level; (ii) a stronger commitment from local government to service delivery and significant pressure from communities to improve the quality of public services; and (iii) local governments working together and sharing information to solve problems together.

Nevertheless, case studies from three districts conducted by SMERU (2002) revealed the finding that many areas impose new levies which could potentially hamper the local businesses climate. A World Bank report (launched in 2008) discusses that while the poverty headcount dropped significantly after 1999—even considering the reversal in 2005— service delivery indicators show a mixed picture. Some indicators have improved, such as the primary school enrolment rate, but many others have only improved slightly since 1999 and some not at all. Likewise, recent evaluation on newly created regions show that performance indicators are still far from what one might expect (see special report on decentralisation by World Bank, 2011).

3.5.2 Unclear Impact of Decentralisation on SP and Poverty Reduction

Inter-related connections between decentralisation and SP have rarely been explored. The majority of studies have focused on observable effects of decentralisation on public sector outputs such as investment levels, public service provision, education and health indicators, macroeconomic stability, and other larger threads (Faguet 2014). Some notable summaries of this research can be found in Rondinelli et al (1983), Manor (1999), and Faguet (2012). While several studies have attempted to evaluate the performance of anti-poverty programmes under decentralisation, few have analysed SP programmes as the primary object of study. None of the studies have looked at the impact of decentralisation on potential beneficiaries or vulnerable groups (i.e. pregnant women, children, people with disabilities, elderly), with no analysis of local-financed SP programme sustainability. Moreover, despite the potential of decentralised policymaking which enables higher female participation, understandings of social risks and gender inequality in particular have not been effectively integrated into SP policy and programming. This fact is supported by Arif et al (2010) who find that despite the involvement of various institutions, no gender focal point (e.g. within the local departments in the decentralised structure) has been included in the delivery process from the national level to the village level.

Decentralised policy making is not the only factor which determines the success of SP, for example, positive evidence from two Indian regions in Priyadarshee and Hossain (2010) cannot be entirely attributed to different implementation mechanisms. The study highlights underlying historical and cultural differences in both areas. The results of research by the UN Capital Development Fund (2012) confirms that adequate social assistance benefit levels are indeed not attained in countries with entirely decentralised social assistance regimes, but rather in countries with mixed systems or limited forms of devolution. However, the report also puts forward an important argument in favour of allowing a degree of local discretion to foster experimentation and innovation, as is the case with Bolsa Familia in Brazil, where municipalities have been able to adapt their cash transfer programme to local service delivery systems.

The link between decentralisation and its impact on poverty reduction is ambiguous and largely influenced by country specificities. Bardhan (2002) highlights mixed empirical experience of poverty reduction with decentralisation in developing countries. The proximity of local government to the people has not universally led to better service provision in rural areas, undermined by the problems in coordination and lack of capacity. Additional to these problems is local elite capture which reduces the effectiveness and quality of services reaching the poor (Mansuri & Rao, 2004). Cost effectiveness as a prime factor shaping service provision to the poor has also been analysed by Birner and von Braun (2009).

A review of decentralisation experiences in 19 countries by OECD found improvements in poverty reduction in only one third of cases (Jütting et al. 2004). The report also provides lessons learnt from successful countries in reducing poverty following decentralisation: it requires that the lower middle income status population segments have literacy rates above 80 percent and a relatively open political process. It also requires adequate commitment from the central government, financial and technical capacity of local governments, and checks and balances at the local level. An evaluation by the World Bank (2012c) of Indonesian SP programmes maintains that local governments have merely invested small budget shares for SP expenditure which caused under-coverage and sub-optimal progress. The report also mentions another problem which potentially impairs programme implementation: conflicting regulations between central and local government. For instance, currently, there are no harmonised local and national regulations regarding *Jamkesmas* (national health insurance scheme), *Jamkesda* (local health insurance scheme), and the National Social Security Law (which calls for universal coverage of all citizens with five insurance products including health). Neither is there a definitive division of roles and responsibilities between central and local governments.

Overall, the extent to which decentralisation improve the quality of SP is unclear, but there may well be scope for mutual benefits when there are capable institutions, qualified personnel, and sufficient resources. It is relevant that capacity building is an important component of development (Fanany et al., 2009). Within this context, the role of local leaders may also provide opportunities for better services, particularly to marginalised groups. For example, this occurred to a degree in the improvement of social services and governance in Surakarta, Central Java during the time of Joko Widodo mayoralty (Majeed, 2012).

3.5.3 The Regulatory Environment Determines the Impact of SP

Newly formed authorities tend to promulgate their own regulations at the lower level. This is in line with the findings of Tanzi (1996) who stresses the effects of decentralisation in developing countries that might cause excessive regulation. In addition to the general regulatory environment, important are those regulations that are directly pertinent to SP, as this sector tends to be amongst (if not the) most over-regulated. This can lead to a situation where regulations might be conflicting or overlapping, resulting in ineffective coordination and weak managerial control.

With regard to the Indonesian context, Law 32 Year 2004 gives responsibility to provinces and districts for the social welfare of all residents. Therefore, local authorities are expected to have more comprehensive knowledge regarding their citizens. However, most resources are still under the control of the central government. For instance, although district governments were put in charge of

managing (and operating) public health facilities when decentralisation started in 2001, the central government is still involved in the deployment and financing of public doctors who work under civil service contracts (Olivia & Yamauchi, 2012).

Meanwhile, several social insurance programmes require specific conditions which can only be operated under national arrangement. For instance, social insurance mechanisms work only through the principle of the 'law of large numbers' by pooling funds from all participants to share risks as stipulated in Law 40 Year 2004 on Indonesian National Social Security System (Government of Indonesia, 2004b; M. L. Smith & Kane, 1994; Zeckhauser, 2008). The current regulatory environment will, in addition to that specifically related to SP, determine the effectiveness of programmes in decentralised setting. Important here is the harmony in terms of legal frameworks between a national regulatory system and regional laws, such as clear roles and responsibilities of regional stakeholders in nation-wide social insurance programmes, particularly on issues such as benefit portability and standardisation (Arifianto, 2006).

3.5.4 The Potential of Decentralisation and Democratisation to Improve SP outcomes

Most decentralisation problems in Indonesia, as in many other developing countries, are related to governance issues. Decentralisation in Indonesia has left much unfinished business largely due to its hasty implementation (Sumarto, 2013; Sumarto, Vothknecht, & Wijaya, 2014a; World Bank, 2003a). Institutions are lacking key requirements for an effective management process i.e. absence of performance measures and an effective framework of constraints; unclear division of responsibilities between the different levels of government; insufficient human and institutional capacity of local governments; inappropriate incentives given by the structure of decentralised public finance.

It cannot be denied that decentralised Indonesia has made progress in addressing absolute poverty. There is confirmation of convergence in poverty rates at district level (Sumarto et al. 2014, p.3). It clearly indicates that regions with initially higher poverty levels tend to experience a greater reduction in poverty. However, the country currently deals with serious challenges as poverty reduction has been slowing and inequality within and between regions appears to be increasing (Statistics Indonesia, 2014).

Although SP programmes have recently only had a few real champions among local leaders and bureaucrats, positive cases of local leadership signify the potential of responsive administration and local capacity to empower society and transform livelihoods (see evidence of Surabaya in Weiss, 2013).

Theoretically speaking, regional governments are supposed to have a better idea and knowledge of the needs of their people, ensuring that strategies meet local needs and conditions. In light of this premise, there are four determinants of local governments' ability to implement SP programmes. Firstly, the capacity for income generation at the local level. Although the major source of local revenue comes from central government transfers, several local governments are able to generate their own income. The presence of natural resources in the region is a key factor affecting the amount localities can generate. The second determinant is the performance in delivery of public services.

As fiscal capacity varies between regions, technical capacity also differs significantly. Several regions are still lagging behind due to the limitation of infrastructure (e.g. telecommunication, road networks). Third are the governance aspects of decentralisation. A strong accountability chain within a decentralised system is key to managing actors between institutions in the same region (horizontal coordination) and between central and local government (vertical coordination). Fourth is the regional institutional capacity for reducing poverty. Almost all districts are required to establish regional poverty reduction coordinating agencies (*Tim Koordinasi Penanggulangan Kemiskinan Daerah*, TKPKD), but around 20 percent of all districts have not established a TKPKD office as of 2010. This fact implies that many district heads and mayors do not consider poverty reduction to be a foremost priority in their development plans, nearly half of the TKPKDs are located in the eastern part of the country. Sumarto (2013) provides an early claim that districts which established TKPKDs reduced poverty more significantly compared to regions without them.

It is possible to redesign the intergovernmental transfer system to more thoroughly incorporate appropriate performance incentives but this would require comprehensive changes in policy perspective across concerned government ministries and related regulations. Lewis (2010) suggests that the process can only take place in the long run. The recommendations on redesigning budget transfer are best accompanied with a comprehensive development strategy which requires effective and region-specific combinations of growth and sound social policies. It is also important to delve more into region-based institutional aspects as well as address the endogeneity issue. Government decisions to shift focus on currently ineffective and regressive subsidies (fuel and electricity) will also strengthen fiscal capacity and room for expanding SP programmes.

3.6 Evaluating the Effects of Decentralisation and Democratisation on SP: A Review of Methods, Concepts, Theories, and Measurements

A number of studies have been conducted to evaluate the performance of the current wave of decentralisation, particularly in developing nations. Yet, there has been insufficient attention given

specifically to the area of SP. Furthermore, discussion in much of the literature has been lacking analytical frameworks, and many studies lack concepts and theories in evaluating impact. As Bardhan (2002) points out, there has been a problem of scarcity of quantitative evidence on the impact of decentralisation. There are successful cases of decentralisation in Latin America, with some evidence available on the “before-after” comparison of service delivery outcomes but there are hardly any household-level analyses in the literature on the comparative effects of centralised versus decentralised delivery.

3.6.1 The Impact of Decentralisation and Democratisation on SP: A Review of Methods and Approaches used in Previous Studies

Using notions in Development Studies (DS), this research aims to examine the validity of relevant grand theory (meta-narratives) whilst greater attention is given to the emergence of ‘context specific’ theory (micro-narratives). This approach is in agreement with recent trends which put DS research in a more empirically grounded understanding of problems in view of the specificity and complexity of situations (Molteberg & Bergstrom, 2000). Within this context, this research attempts to invalidate normative grand theories of decentralisation through the following economic arguments:

- a. Proximity. Decisions about public expenditure made at local government level that are closer and more responsive to a local constituency are more likely to reflect the demand for local services than decisions made by a remote central government. Decentralisation allows better preference matching and the generation of location-specific knowledge (Oates 1972) as well as the ability of people with heterogeneous preferences to sort these out in their preferred jurisdiction (Tiebout, 1956). In another term by Hayek (1948), fiscal decentralisation is generally considered to be a more efficient system of resource allocation, primarily because of the informational advantages that local authorities may have over central authorities. With these notions, this research attempts to observe whether the proximity of local public governance brings about significant changes in SP programmes.
- b. Competitiveness. The decision to delegate most responsibilities is to improve the ability of local governments and enhance innovation, hence the likelihood that governments will act to satisfy the wishes of citizens. Competition among subnational governments is said to allow for a variety of bundles of local public goods to be produced, and individuals are said to reveal their preferences for those goods by moving to those jurisdictions that satisfy their tastes (Salmon, 1987). This concept is largely embodied in the second-generation theory of fiscal federalism (Oates, 2005). Here the main argument in favour of decentralisation hinges on the

trade-off between preference matching and externalities which is elaborated in principal-agent models of electoral accountability. In this framework, this research strives to prove whether decentralisation is capable of reducing the information asymmetry among sub-national governments, and in this way, the electorate can increase their control over the local politicians to stimulate more electoral accountability, which finally translates into a more efficient government.

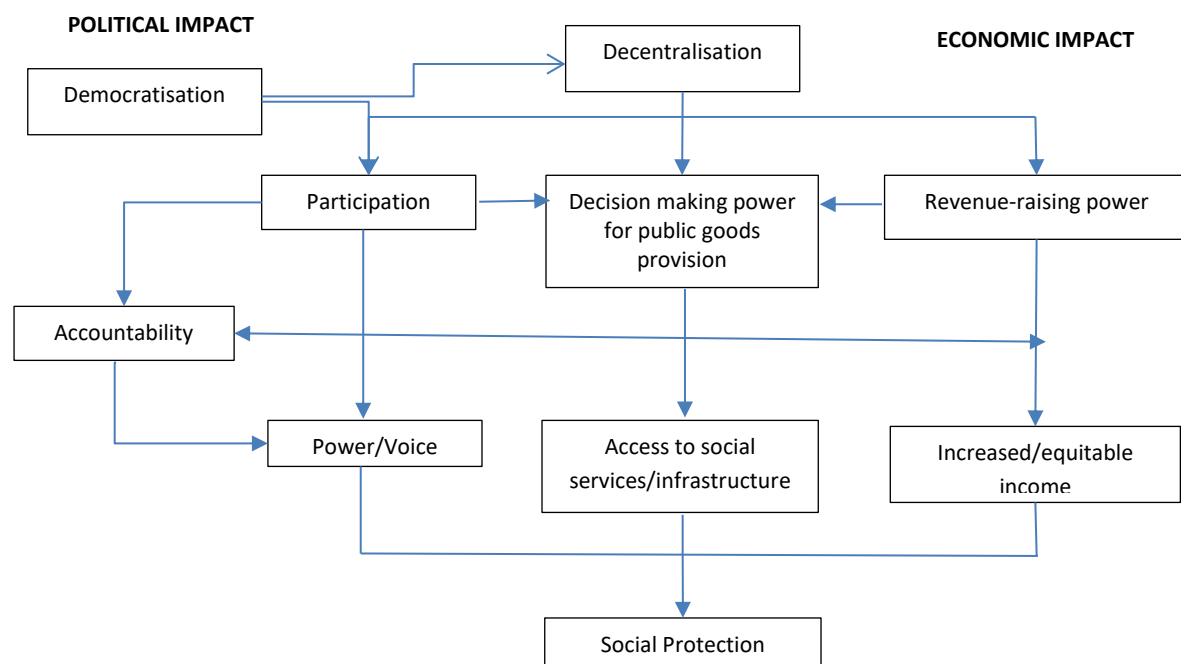
Having defined both SP and decentralisation, the question arises as to where to find the interplay. Given the understanding of SP as a complex, multi-stakeholder concept (as resembled by understandings of poverty or vulnerability), it must be clear that the important factors of SP cannot be resolved by any single remedy like decentralisation but that it requires a combination of policies designed for country specific (or even local) conditions.

3.6.2 Direct Measurement of the Impact of Decentralisation and Democratisation on SP

How is decentralisation related to these broad SP-related policies? Given the definition of devolution which grants local government full discretion over most local affairs, decentralisation is considered to affect livelihood through a wide range of channels. According to the World Bank in its early publication (2000a), 'decentralised poverty reduction comes into play for three complementary elements of strategy i.e. promoting opportunities, facilitating empowerment, and enhancing security'. First, promoting opportunities refers to giving poor people the chance to improve their material situation in life, and this includes providing access to employment, markets, financial services, infrastructure (roads, electricity, telecommunication), social services (education, health care), and land ownership. Second, facilitating empowerment implies the inclusion of all members of society in decision-making processes in order to achieve responsive and accountable public actions and policies. Third, enhancing security means reducing people's vulnerability to different threats, like economic shocks, natural disasters, ill health, disability and personal violence.

With regard to the second group, i.e. measures to facilitate empowerment, the link to decentralisation is relatively obvious. Decentralisation brings about increased opportunities for people to participate in public decision making, from which they are generally excluded in a highly centralised government system (Asante, 2003; R. C. Crook & Sverrisson, 2001). This in itself represents a form of poverty alleviation as poor people are given voice and thus power, as depicted in Figure 3.3 given citizens' voices are heard (Goetz & Gaventa, 2001). At the same time, participation can increase the supervisory power of local (poor) people and this in turn can lead to higher accountability of public officials. Due to the greater proximity, citizens can easier monitor and thus influence government actions at the

local level (Asante, 2003; von Braun & Grote, 2002) and this can again affect the political, and possibly also the sociocultural, dimension of poverty. Among several possible accountability mechanisms, officials are assumed to be held accountable through local elections, which serve as a means to evaluate officials' past performance. This is in line with the arguments from Seabright (1996) who notes that only if local citizens have the opportunity to observe officials' performance and reward or punish them at upcoming elections, local election can be assumed to have an incentive to act in their electorate's interest. In this sense, decentralisation can be thought of as a means to bring about good governance, the relevance of which for poverty reduction has been shown by Kaufmann et al. (1999).



Source: Author's illustration, adapted and developed from Jütting et al. (2004)

Figure 3.3 The Links between Democratisation, Decentralisation, and SP

3.6.3 Assessing the Indirect Impact of Decentralisation and Democratisation on SP through the Search for the Importance of Governance Quality

In the context of decentralised and democratised SP, further elaboration is needed to justify the following specific topics:

- a. Democratisation. In their analysis on local health services provision, Rosser and Wilson (2012) suggest that democratisation at the local level has created an incentive for all local leaders to pursue populist and redistributive policies because they are favoured with potential voters and will likely translate into increased support at election time. A similar view is proposed by

Aspinall (2014) who traces the origins of incentives that democracy creates for elites to design policies that appeal to broad constituencies. Not infrequently, these measures fail to achieve the desired goals when lack of capability and elite capture comes to the surface.

- b. Responsiveness. The main findings from Skoufias et al (2014) shed light on the effects of political decentralisation on service delivery, using health and education indicators. Their findings suggest that directly elected district officials became more responsive to local needs close to elections, as reflected in the composition of district expenditures, and expenditure categories likely allow the incumbent district heads running as candidates in the direct elections to 'buy' political support and votes. In this context, the degree of responsiveness in SP provision will be measured and compared between regions.
- c. Ineffectiveness. A relatively wide body of literature provides two reasons why local administrative spending could be ineffective: bureaucratic self-interest and local capture. The theory of bureaucracy as put forward by Niskanen (1971) posits that the bureaucracy exhibits an inherent tendency to increase its budget as bureaucrats enjoy higher status and better pay with increasing size of their budgets or bureaus. Furthermore, capture of government funds through local elites is a recurring phenomenon in developing countries (see among others Galasso & Ravallion, 2005; Olken, 2007; Reinikka & Svensson, 2004). It diverts government funds intended for public service provision to private funds or other unintended public usages. While the welfare effects of decentralisation in developing countries are still a moot point and the evidence is highly country-specific (Bardhan & Mookherjee, 2006b), it is clear that powerful local elites, where they exist, have more scope for local capture by the devolution of authority through decentralisation (Bardhan, 2002; Mansuri & Rao, 2004). This study attempts to assess whether decentralisation leads to effectiveness in delivering SP.

3.6.4 Assessing the Indirect Impact of Decentralisation and Democratisation on SP through its Impact on Local Livelihood

Notwithstanding the robustness of economic arguments, it is imperative to take into account a wide range of contextual differences and their ensuing complexities. Findings from Litvack and Seddon (1998) have shown that although the driving force behind decentralisation might serve the same ends for both good economics and good politics, successful decentralisation requires specific conditions. It ranges from conditions such as linkages between local financing and service provision; involvement of local communities for meaningful decisions; binding mechanisms for local politicians to induce credible incentives for people's participation; an accountability system based on public and transparent information; and the complete instruments of decentralisation. Therefore, simplified

assumptions embedded in theories must be confronted with the existing context for a higher degree of rigour.

3.7 Summary

In this chapter, an attempt was made to provide a balanced review of the literature concerning SP in the context of decentralised and democratised governance, providing an overview of key issues that face developing countries.

Problems in the processes of decentralisation and democratisation have been explored in the literature with the objective of finding better approaches. A sizeable number of recent studies have focused on the exacerbation of inequality as a consequence of regional disparities. Interestingly, rarely has a significant attempt been made to clarify the impact of decentralisation on SP. However, evidence on the likely impact of SP is virtually non-existent. Perhaps due to this, most of the literature is speculative about what might happen, rather than empirically-supported or verifiable, with views naturally quite polarised between those arguing for and against the benefits of decentralised government.

Although the limited time frame and the nature of the study imply that any conclusion should be treated with caution, our analysis indicates that four issues arise in terms of researchable areas: First, the weak correlation and varied results of decentralisation implementation and local service delivery. This is because of a lack of systematic or comparative evidence and methodological problems which often lead to inconclusive results. Second, the impact of decentralisation on SP and poverty reduction is quite unclear. Decentralised governments have to equip themselves with proper structure and adequate resources. Leadership factors are also instrumental in navigating the enhancement of local SP programmes. Third, a country's current regulatory environment and administrative capacity, will significantly determine the overall success of SP programmes. Key here is establishing the likely balance of 'power' between national regulatory system and local regulations as nationwide programmes need to involve all stakeholders. Although several programmes embed 'monopolistic' characteristics, this does not exempt the significant role from regional-level players. Fourth, it is worth pointing out potential features of decentralisation that can be drawn upon to enhance SP. Success stories and lessons learnt from several regions indicate the potential of responsive local leaders in empowering society and transforming livelihoods through SP and participatory public policy (B. D. Lewis, 2014b; Miller & Bunnell, 2013).

Improved local governance can be associated with short-term action while in the long run governance needs to redesign intergovernmental transfers systems. Finally, given the data vacuum that exists with

respect to the impact of decentralisation on SP more specifically, there is clearly a substantial research agenda to be pursued before one can begin to better understand the relationship between decentralisation, democratisation, SP, and development outcomes.

PART III RESEARCH METHOD

Chapter Four: Epistemological and Research Methodological Framework

4.1 Introduction

Research methodology plays an important role in establishing the validity of a study. Without an appropriate methodology, convincing arguments can hardly be drawn let alone conclusions. A research methodology provides the glue to hold all activities within a study together in unity. It also helps to unite parts of the research work to address the central research questions of the study.

This chapter is intended to highlight several aspects of the research methodology including the design, the strategy, method of analysis, and measurement methodology. The design of the study comprises discussion on the development of the list of interview questions, data sources, data collection method, location choice, and selection of respondents. The strategy involves issues such as periodical and regional comparison, the strategy of addressing research questions, the approach of data analysis, and the methodological aspect of measuring the level of social welfare, as well as the role of local economic growth.

The previous chapter provides a fundamental background for the discussion here on the assessment of the impact of decentralisation and democratisation on social protection (SP), based on empirical work from previous studies. It also discusses some concepts and approaches used in examining the link between decentralisation, democratisation, and SP. By reviewing previous studies, it is expected that some evidence can be identified to support and develop the research, whether by exploring the relationship deeply or by assessing the relationship using other perspectives that have not been utilised previously.

First, this chapter discusses how I come up with decentralisation and democratisation as a theoretical lens to address the questions of this study. Section 4.2 elaborates theory and assumptions surrounding research topics. I then explain the framework in Section 4.3. Further, Section 4.4 presents the cases and how it is being justified. Section 4.5 explains the validity and reliability of the analysis. Research methods are explained in Section 4.6 while limitations of this research are described in Section 4.7. All of these elements serve as the foundation for which the findings are later analysed.

4.2 On Theoretical Concerns and Assumptions

Decentralisation and democratisation have been chosen as central policy experiments in this thesis to investigate the implementation of SP. As mentioned in previous chapters, decentralisation is a strategy that brings public service delivery closer to the citizen, improves the responsiveness to public demands, increases quality and efficiency, and empowers local government units as well as stimulating the wider participation of local people. With respect to such a promising role of decentralisation, many argue that it can be seen as an effective way of increasing social welfare (P. Pierson, 1995; Sellers & Lidström, 2007) or has a profound impact on poverty reduction (Asante & Ayee, 2004). In a similar vein, there has also been the well-known positive correlation between democracy and redistribution of economic progress, firstly uncovered by Lipset (in 1959), then replicated by numerous studies in the following decades, and confirmed by Przeworski and Limongi's sophisticated analysis (published in 1997) using the world sample of nations in the period from 1950 to 1990.

Within this literature boundary, there are already large numbers of studies linking decentralisation and democratisation to SP using various approaches. This chapter reviews several empirical studies related to the linkages, encompassing a number of its methods and approaches used to examine the nexus of decentralisation and democratisation with SP. Based on the results of this review, and combined with the reviews in the previous chapter, a model will be developed for the present study.

The main emphasis of this research is focused on understanding how and under which circumstances SP is being developed in a decentralised way and to deepen local democratic settings. Thus, I am interested in investigating decentralisation and democratisation processes in relation to SP implementation and its development. In particular, I focus on how SP becomes adapted to local needs and how this has impact on welfare.

In the present study, the nature of the research philosophy is based on an interpretive framework. Additionally, this framework encompasses *social constructivism* which takes a particular approach to understanding the world in which we live and work. It strives to find the development of multiple meanings whilst researchers look for complexity of viewpoints

Interpretive frameworks in Creswell's concept (2014) can be considered a basic set of beliefs that guide action. The philosophical assumptions (ontology, epistemology, axiology, and methodology) are embedded within interpretive frameworks that researchers use. On this point, Creswell suggests interpretive frameworks may be suitable for social science theories (leadership, attribution, political influence and control, and many others) to frame the researcher's theoretical lens in studies. On the

other hand, the theories may be social justice theories/advocacy/participatory, seeking to bring about change or address social issues in society.

4.2.1 Assumptions about Decentralisation

Almost all countries worldwide are now experimenting with decentralisation. However diverse their motivations are, countries are decentralising mainly because they believe this can help stimulate economic growth or reduce rural poverty, goals that central government interventions have presumably failed to achieve. Some countries see decentralisation as a way to strengthen civil society and deepen democracy. Some perceive it as a way to off-load expensive responsibilities onto lower level governments. Thus, decentralisation is seen as a solution to many different kinds of problems.

Principally, the most important theoretical argument concerning decentralisation is that it can make government more accountable and responsive to the governed. Improving governance is also a central justification for real-world reformers and development practitioners. In addition, responsiveness is almost always related to the proximity of public service providers.

In this framework, assumptions in favour of decentralisation are summarised as follows:

- a. Local government structure will be altered to increase citizen voice and change the incentives that public officials face.
- b. Locally elected governments will be more accountable and responsive to their citizens' preferences when designing service provision and allocating resources.
- c. Citizens will have a better system for articulating their needs and wants and will be able to hold officials to account over breaches in service.
- d. Decentralisation will reduce abuses of power by transferring certain central government functions and resources to lower levels.
- e. It will improve political stability by giving aggrieved minorities control over subnational governments with limited power over issues that affect them directly.
- f. It is expected to increase political competition by creating many smaller arenas that politicians vie to control.
- g. Central government will be willing to devolve full power and responsibility for services to local government.
- h. Central government will ensure that local governments have adequate financial resources to ensure service provision. Extra finances will also be available to local government via local taxes.
- i. Local administrative capacity will be adequate to deliver improved services.

All the assumptions seemingly point towards the notion that decentralisation addresses the key motivations across countries to improve governance. With these ostensible advantages, the demand for decentralisation has naturally been strong throughout the world.

However, as discussed by Prud'homme (1995), the benefits of decentralisation are not as obvious as the standard theory of fiscal federalism suggests, and there are serious drawbacks that should be considered. An analysis of these dangers makes it easier to understand some of the real choices. These choices are not so much whether to decentralise in general, but rather what functions to decentralise, in which sectors, and in which regions.

Prud'homme further puts an analogous argument that decentralisation measures are like some potent drugs: when prescribed for the relevant illness, at the appropriate moment and in the correct dose, they can have the desired salutary effect; but in the wrong circumstances, they can harm rather than heal. Some of the negative effects from decentralisation can be summarised as follows:

- a. Decentralisation can increase disparities. Regional disparities exist in most countries and do not disappear with economic development. Further, a reduction in income disparities does not necessarily correlate with a reduction in regional income differentials.
- b. Decentralisation can jeopardize stability. Fiscal policies of subnational governments might run counter to those of central government (fiscal perversity).
- c. Decentralisation can undermine efficiency. The hypothesis that decentralised provision brings efficiency rests on assumptions that are very unlikely to be met in developing countries i.e. allocative efficiency, production efficiency, and minimal corruption.

The adverse effects of decentralisation lead to the discourse beyond the centralisation-decentralisation dichotomy. Many public expenditure theories lend themselves to decentralisation with particular focus on the design of a transfer system which allows subnational governments to finance their expenditures, while it functions as a mechanism to avoid the danger of decentralisation (particularly for distribution and stabilisation). Another discourse worth mentioning is regarding the case for the different treatment of geographical areas, sectors, and functions.

4.2.2 Assumptions about Democratisation

Political systems with democratic characteristics are not restricted exclusively to modern times in Western developed nations. In many areas of the world tribal chiefs were elected for centuries and in some places democratic political institutions long existed at the village level. In addition, the concept of democracy was, of course, familiar to the ancient world. Modern democracy is not simply

democracy of the village, the tribe, or the city-state, it is rather a democracy of the nation-state and its emergence is associated with the development of the nation-state. The initial push toward democracy in the West occurred in the first half of the seventeenth century. In this period, democratic ideas and democratic movements were an important, although not central, feature of many historic events. According to Huntington (1991), the process of democratisation emerged in different 'waves'. A wave of democratisation, as argued by Huntington, is defined as a series of transitions from nondemocratic to democratic regimes that occur within a specified period of time and that significantly outnumber transitions in the opposite direction during that period of time.

In Huntington's proposal, a wave also usually involves liberalisation or partial democratisation in political systems that do not become fully democratic. Hence, using the definition from Huntington, three waves of democratisation have occurred in the modern world. Each wave affected a relatively small number of countries, and during each wave some regime transitions occurred in a non-democratic direction. In addition, not all transitions to democracy occurred during democratic waves. The first wave (1828-1929) emerged in today's developed countries, a process that had its roots in the American and French revolutions.

Democratisation in developing countries occurred in different sequences or periods. Mostly, it happened in the second (1943-1962) and third (1974) waves. Today, the promotion of democratisation is bundled altogether with the recommendation to uphold the rule of law and to strengthen good governance. This suggestion becomes a priority for many international donor agencies, driven by a belief in the primary importance of the various tasks of development. Almost inevitably, the policy recommendation for democratisation has been proposed in concurrence with administrative devolution within the hypothesis of bringing policymakers closer to the electorate at the smallest entity level.

However, as elucidated clearly by Rodrik (2016), liberal democracy has been difficult to institute and sustain in developing countries. This has to do both with ideational factors i.e. the absence of a liberal tradition prior to electoral mobilisation and structural conditions i.e. the prevalence of mass mobilisation along identity rather than class cleavages.

Acemoglu et al (2013) detail theoretical reasons why democracy is expected to increase redistribution and reduce inequality, and why this expectation may fail to be realised when democracy is captured by richer segments of the population; when it caters to the preferences of the middle class; or when it opens up 'disequalising' opportunities to segments of the population previously excluded, thus exacerbating inequality among a large part of the population.

Within a democratic regime, the emergence of various new social welfare policies indicates that the state has become more responsive to the interests of poor citizens and that policymaking processes are providing at least some avenues for input by groups representing their interests.

Yet, the third wave of democratisation since the 1970s has been associated with **radical revisions of social welfare systems** inherited from predecessor authoritarian regimes. In some cases, such as the formerly socialist countries of Eastern Europe, these changes have involved scaling back the state's role in SP. Among the best studied examples are the countries of Northeast Asia, especially South Korea and Taiwan. Stephan Haggard (2005) has argued that democratisation in these countries has been associated with 'a more expansive approach to social welfare', whereby democracy has 'generated new pressure on governments to provide SP.' Likewise, Wong (2004) finds that reform trajectories moved in tandem and in a similar direction, from limited benefits from health insurance schemes before democratic transition to universal and redistributive medical insurance programmes during the period of democratisation. Accordingly, East Asian countries are witnessing the replacement of what were once labelled 'productivist' social welfare regimes that focused merely on the labour force, with systems that emphasize **universal coverage and redistribution**.

From the perspective of Indonesian democratisation, the similar policy shift of SP from limited to universal is surprising. A recurrent and dominant theme in studies on Indonesia's democracy is elite capture. This view, that the institutions of Indonesian democracy nowadays are still dominated by the oligarchs, bureaucrats, and other elite actors, is largely unchanged from that which supported authoritarianism during Suharto's pseudo-democracy era. This perspective has recently been challenged by scholars who suggest that it understates the plurality of interests represented in government bodies and policymaking during the *reformasi* era. For instance, Mietzner (2013a) has argued that activists from civil society groups have begun to penetrate legislative and other bodies, to exert some influence on policy.

Hence, comparing with these countries, the expansion of SP policies in Indonesia is actually less surprising than the elite capture perspective would suggest. Closer to Indonesia, in the Southeast Asian region, similar changes have been visible. For example, in Thailand, the 1997 election signalled the birth of a new social contract that replaced the developmental social compact that had operated since the late 1950s which involved, among other things, the introduction of a popular universal health scheme.

Therefore, assumptions about democratisation suggest that Indonesia is moving in the same direction. Based on this assumption, this study identifies two causal mechanisms, both closely paralleling the case of Northeast Asian countries. First, democratisation **opened the policy-making process to more**

actors, including new political parties, social movements, and organised labour, some of which have played an important role in lobbying and mobilising for policy change. Second, democratisation **changed the incentive structures** under which both new and old policy actors operated, especially by increasing pressures on political leaders to respond to voter preferences for greater welfare provision. The policy shifts analysed in the present study suggest greater government responsiveness to popular preferences than has hitherto been widely accepted in studies of Indonesian democracy. Even so, analyses stressing the **continuing dominance of oligarchic forces** remain relevant.

4.2.3 Assumptions about Social Protection

The rapid rise of SP in the development policy agenda has been remarkable, even astonishing. Part of the explanation is to be found in a growing recognition that SP can be essential to the achievement of bigger development objectives, such as the MDGs and Sustainable Development Goals (SDGs). Despite its increasing acceptance, many still overlook SP because of the fear that it may foster 'dependency' culture among the poor and vulnerable. Skeptics also believe that it might also erode the familial support system in developing countries.

However, scepticism does not hinder the increasing trend on SP adoption amongst developing countries and their development partners. Support from development institutions has been positive indicated with the publication of World Bank State of Social Safety Nets (2018) and the ILO World Social Protection Report (2017).

Attention among epistemic community which encompasses academics dan policymakers has been constructive and attempting to scrutinise aspects in very detailed manner. Compilation of articles in IDS Bulletin on SP for Social Justice (2011) shows philosophical, moral, and ethical grounds for SP very comprehensively. Meanwhile, articles on special edition of IDS Bulletin on SP graduation (2015) attempts to convince stakeholders that it largely has the capacity to empower the beneficiaries and at the same time replacing the assumption that SP could create dependency. Finally, a special edition from Global Policy on the principles and practice of SP (2016) elaborates comprehensively the foundation and the variety of SP implementations globally.

The push for SP adoption has long been advocated systematically by many institutions. For example, the normative framework of ILO Social Protection Floors Recommendation includes 16 up-to-date social security standards which provides a guidance to lay foundations for national social protection policies. The most recent adopted standard—version of 2012—reflects the global tripartite commitment to guarantee at least a basic level of social security to all in the form of a nationally defined social protection floor, and to ensure progressively wider scope and higher levels of protection.

Country's commitment to building SP is also reflected many SDG targets. Most prominently, SDG Target number 1.3 which calls upon countries to implement nationally appropriate SP systems for all for reducing and preventing poverty. Furthermore, the importance of SP for sustainable development is reflected in several other goals, including universal health coverage (SDG 3.8), gender equality (SDG 5.4), decent work and economic growth (SDG 8.5) and greater equality (SDG 10.4).

In general, concepts surrounding the design of SP programmes are based on the assumption that poverty (and vulnerability) is primarily a result of individual constraints, such as low levels of education or physical assets. SP programmes address these individual constraints, thereby providing the poor with the necessary means to pull themselves out of poverty and improve their living conditions. Within this regard, SP is assumed to be **comprehensive** which encompasses various different types of programmes suited to the needs of beneficiaries. For instance, programmes related to the elderly will be different to the programmes tackling child poverty.

The classical assumption of SP is usually related to the concept of spring-board or temporary (*ad hoc*) relief for the poor. This old perspective only partially explains the development of welfare and shows limited understanding of the measurement of well-being. This concept is reflected to the design of SP which is oriented towards '**compensatory**' cash transfer in Indonesia in 2005, 2008, and 2013 (supposed to maintain welfare level in the midst of the inflationary effect of the revoking of fuel subsidy).

Lately, the design of SP has been underpinned by technocratic approaches, particularly in embracing individualistic understandings of poverty which emphasise pathways out of poverty at the individual and household level. Furthermore, increasing fiscal pressure and political economic factors have led to a push for a more **targeted approach**. In this context, direct transfers to households become more relevant to replace old policies like subsidy that in many events can be regressive. Such transfers are often labelled in the literature as anti-poverty transfer programmes or social assistance. As espoused by Barrientos (2013), these programmes allow for an understanding of poverty by identifying three different and important perspectives: poverty because of a lack of income, poverty because of a lack of income and assets, and poverty as a multidimensional issue (poverty can be reflected by a shortcoming of income, employment, health, nutrition, educational and other opportunities).

Following the proposition from Devereux (2016) two powerful arguments can be made for targeting, one normative or ethical and one pragmatic or operational. Both arguments are in line with the principle of redistributive justice. The ideological argument is that targeting aims to transfer resources from those who have more than they need to those who have less than they need to sustain a minimum subsistence or a decent standard of living. Consequently, targeted transfers are a

prerequisite for redistributive justice. Meanwhile, using the pragmatic argument, is policy-makers operate in a real world of budget constraints where resources are never enough to distribute to all the poor. Given the reality of budget constraints, scarce public resources must be used optimally and allocated efficiently, where they can achieve the maximum impact.

Ostensibly, a **technocratic approach** in poverty measurement and targeting provides solid foundations for understanding concepts of poverty and poverty eradication. Commonly used poverty indices are utilised extensively along with the importance of panel data surveys to allow for observations to be made at given intervals over time. Other methods like **proxy means testing** have been put into central themes for targeting assistance. This obviously entails the sufficient readiness of personnel and infrastructure systems to support the implementation of regular surveys and verification mechanisms.

Another distinctive aspect in SP that has been strongly promoted is its contemporary aim to address social injustice. Consequently, this course moves towards the politics of shifting SP systems to a **universal basis**. Universal means that the benefits are entitlement-based and can be claimed by all citizens, and where that entitlement is legitimated by an acknowledgement of rights. This approach resonates strongly with the 'rights-based approach' to development and a 'human rights framework' for SP. While there are an increasing number of SP systems that operate on a universal basis, the 'residual' approach is still dominant in the international development SP discourse. 'Residual' schemes are those where SP does not extend automatically to all citizens, and where benefits are allocated on the basis of some authoritatively imposed targeting strategy. Echoing the notion of a universal concept is the '**inclusive**' characteristic of SP which has been fostered lately, especially to tackle gaps with regards to age, gender, ethnicity, and other identity markings. Further, the importance of SP is associated with the ethics of assistance and it draws considerably from the philosophical discussions of the institutions of social justice and cooperation. Relevant to address in this discourse is consideration of the basis of individual morality (that assistance should be provided for those in need), and also the 'political conception of justice', which places the focus on social institutions, and the political notions of justice, where assistance is necessary to ensure commitment to economic cooperation and future political processes.

More recently, SP is viewed as an 'umbrella' for varied programmes which encompass not only state-funded social assistance, but also public contribution-based social insurance. Beyond the dichotomy of universal-targeting, social insurance invokes prolonged debate on the compulsory aspect of monetary contribution to sustaining programmes. Prior to the introduction of social insurance as a component in SP, many SP programmes developed the conceptual underpinnings, the objectives and instruments under the rubric of the **risk management** framework. This framework, as proposed by Holzmann and Jorgensen (1999, 2000) for mainly World Bank projects, consists of public measures

intended to assist individuals, households and communities in managing risks to reduce vulnerability. Therefore, in view of this framework, SP programmes are expected to protect or provide ‘cushioning’ against shocks. In terms of fiscal affordability, the principle of collective risk-sharing is considered a better option when compared to reliance entirely on the government budget.

Linked to this risk management framework is the notion of **vulnerability** that can be defined as the risk of economic units (such as individuals, households, and communities) falling below the poverty line (i.e. having insufficient consumption and access to basic services) or, for those already below the poverty line, to remain in or to fall further into poverty. In sum, traditional anti-poverty policy is concerned with bringing individuals up to the poverty line or at least reducing the degree of poverty (Lipton & Ravallion, 1995). Social risk management is believed to foster social solidarity especially in developing countries where familial and societal bonds are still strong. For instance, social health insurance that requires compulsory contribution will definitely apply risk-sharing principles (usually known as ‘cross-subsidy’) and pooling arrangements that are expectedly able to maintain the social fabric and ‘*gotong royong*’ (mutual help) traditions. Vulnerability and risk have influenced policymakers in designing SP as either ‘safety net’ or ‘safety rope’ programmes. The former prioritises the poor with transfers of wealth from richer to poorer households, while the latter will be more popular with middle-income groups if it serves an important insurance function in transferring resources from good times to bad (Sumarto et al., 2010).

Another aspect recently taken into account of SP implementation is **empowerment** which correlates with the imposition of ‘conditionality’ in the programme. A prominent example is conditional cash transfer (CCT) that is officially adopted in Indonesia with the name: *Program Keluarga Harapan* (PKH). Started from 2007 as a pilot project in 7 provinces covering only 500,000 beneficiaries, PKH is now national flagship SP programme in 34 provinces covering 6 million households. The conditionality at the early implementation of PKH consisted of mainly health and education. Having required school attendance and health check-ups (as in other versions of CCT in many countries), PKH now includes conditions for parental meetings and wider participation of parents towards child parenting technicalities. Central in this empowerment aspect is the role of ‘facilitator’ who helps beneficiaries not only in managing their memberships or payments but also in imparting knowledge about their participation in other government programmes.

To counter the misconceptions of SP that it causes dependency and is unsustainable, policymakers these days often include ‘**graduation**’ or, using the definition from Devereux and Sabates-Wheeler (2015, p. 1), means leaving an SP programme after reaching a wellbeing threshold only when the participant has acquired a set of resources that are expected to equip them for a higher-income future livelihood. Graduation in this context is perceived as the means as well as the purpose in SP

implementation. Drawn as an antidote to 'dependency syndrome', SP is designed to leave recipients better placed to achieve sustainable self-reliance when they stop receiving support.

Inevitably, along with the ensuing progress of many government programmes, aspects and assumptions of SP will be altered and adjusted to the context. However dramatic its changes, SP that is defined as public policy actions taken in response to levels of vulnerability, risk and deprivation is naturally directed to promote dynamic, cohesive and stable societies through increased equity and security (Norton, Conway, & Foster, 2001).

4.3 Conceptual and Analytical Framework

The logical framework in this research will be divided into two branches. While the first branch encompasses quantitative analysis using inductive logical inferences, the second branch looks at qualitative measures using a 'retroductive' approach. In the former approach, data collection precedes theory formation, whilst in the latter approach, theory building works through the analysis of data collected during the research, by asking what qualities must exist in the data (Sumner & Tribe, 2008, p. 92). Both approaches and methods are geared towards fulfilling the requirements of complementarity, which requires elaboration, enhancement, illustration, and clarification of the results from one method with the results from the other (Greene, Caracelli, & Graham, 1989, p. 259). The complementarity can be illustrated by the use of a qualitative interview to measure the nature and level of understanding among stakeholders, as well as the influences of these understandings, combined with a quantitative analysis of household data sets and local government budget to measure the nature, level, and perceived ranking of the comprehension of the stakeholder. Combining both approaches is also relevant with regard to the concept of 'triangulation' as interpreted by Erzberger and Kelle (2003). These authors comment that:

"the use of different methods to investigate a certain domain of social reality can be compared with the examination of a physical object from two different viewpoints or angles. Both viewpoints provide different pictures of this object that might not be useful to validate each other but that might yield a fuller and more complete picture of the phenomenon concerned if brought together" (p.461).

Given the nature of this research, which encompasses multiple development subjects, this study will draw upon a number of theories from different areas. In respect to decentralisation, a wide-ranging area of enquiry into politics and local governance can be posited. Here, the in-depth analysis will focus on how the switch from a top-down centralistic approach to a bottom-up decentralised approach impacts accountability and fiscal outcomes. Equally important is further analysis on the impact of decentralised policy-making on the society's welfare, including the poorest and most vulnerable

groups, which involves various disciplines such as sociology, anthropology, and economics with their respective approaches and perspectives. Within this context, it is relevant to broaden the research context to deflect attention away from theoretical work that is often specific to particular disciplines. Thus, according to Brannen (2005, p. 5) utilising mixed research methods for studies related to wide-ranging disciplines is appropriate. Furthermore, these fit with the political currency accorded to 'practical enquiry' that speaks to policy and policymakers and that informs practice (Hammersley, 2000).

4.3.1 Conceptual Framework

The frameworks discussed in this chapter will be used to guide the way to answer the research questions of this study. To simplify the process of framework construction, the relationship between decentralisation, democratisation, and SP will be first established by quantitatively evaluating changes on the welfare level during the period before and after the enactment of decentralisation and direct elections, in 2001 and 2005 respectively. Later, further analysis on the distribution of transfers is meant to establish a correlation between fiscal devolution policies with the outcomes related to welfare. The final part of quantitative analysis will present a model to estimate the relationship between local direct elections with the SP policies. Overall, these steps are performed to obtain a general view at the nexus of decentralisation-democratisation-SP. The next step in this framework involves qualitative inquiry which encompasses interviews and field visits in the chosen locations. Using structured questionnaires does not necessarily limit the scope of topics as relevant themes might occur during the process. Respondents are chosen from stakeholders related to SP ranging from local government members to beneficiaries. Thematic analysis will highlight recurring topics and attempts to draw conclusions.

This research will employ 'sequential mixed-method design' in which two strands are undertaken in chronological order (Quantitative → Qualitative). The conclusions based on the results of the first strand lead to the formulation of design components for the next strand (see Figure 4.2). Hence, the study design falls into the 'explanatory' design according to Creswell et al (2014, pp. 16–17). The second strand of the study is conducted to confirm or disconfirm inferences from the first strand or to provide further explanation for its findings (Tashakkori & Teddlie, 2003, p. 715). After having results from both strands, these will be reconciled to obtain a 'meta inference' which follows the definition from Tashakkori and Teddlie (2008, p. 101) as 'an overall conclusion, explanation or understanding developed through an integration of the inferences obtained from the qualitative and quantitative strands of a mixed method study'.

Sequential mixed designs answer exploratory and confirmatory questions chronologically in a pre-specified order (Teddlie & Tashakkori, 2008, p. 153). Comparatively, these designs are less complex to conduct by a single investigator than parallel mixed designs.

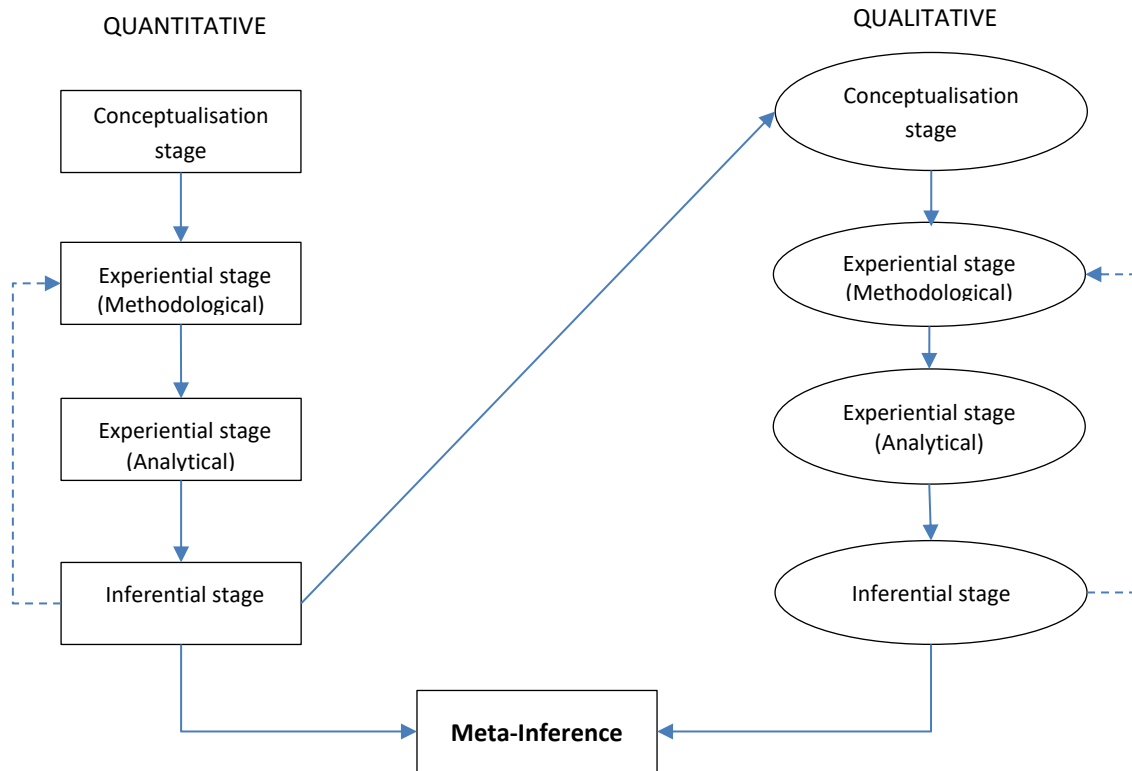


Figure 4.1 Illustration of Sequential Mixed Design

As mentioned at the outset, the intention of this research was firstly, to identify the extent to which decentralisation and democratisation in Indonesia have enabled SP programmes to improve the livelihood of poor and vulnerable people; secondly, to examine the complex system of linkages between SP, decentralisation, and democratisation.

On this basis, eight research questions were formulated:

1. To what extent does the current distribution of transfers affect regional welfare development?
2. How does transfer distribution play a role in equalising welfare development?
3. In the context of democratisation or local politics, what are the key factors involved in local SP distribution?
4. Is there any pattern or cycle in the SP budget or its distribution?
5. To what extent has the implementation of fund transfer and local elections affected the development of SP?
6. In what ways does decentralisation enable or constrain local SP programmes?
7. How do democratisation processes support local SP development?

8. What are the roles of stakeholders in the nexus of decentralisation-democratisation-SP at the local level?

The first five questions can be addressed through quantitative methods to further build foundations for latter questions which can be explored and analysed through qualitative inquiry. In order to answer questions 1 to 5, it is necessary first to collect the available data sets and relevant variables that are strongly related to the topics of the present study. In this phase, data availability will lead to the conceptualisation of method. Afterwards, available tools chosen for analysing the data will shape the experiential stage in finding the fittest methodology. The results of the analysis will then explain and drive the formulation for further research questions that will be dissected in the qualitative part of the study.

Meanwhile, to address the last three research questions, it is important to prepare questions that are related and cannot be explained by prior quantitative analysis. This will form the conceptualisation stage which supports the design of the questionnaire and selection of beneficiaries, as well as the site selection for fieldwork. Afterwards, during the interviews and field visit, it is imperative to record and transcribe interviews with respondents selected from the case of SP implementation in selected regions. Once the information is collected, it can be analysed through the methodology appropriate for handling the transcripts and capable of extracting meaningful information. Ultimately, the end result of qualitative analysis will be reconciled with the quantitative analysis of the previous step.

4.3.2 Analytical Framework

One of the original aims of the study was to explain the impact of decentralisation and democratisation on the implementation of SP at the local level, and to underpin this with a theoretical perspective. Theories and assumptions identified early on in the present study that are related to the implementation of SP were those pertaining to fiscal decentralisation (distribution of transfers) and the effect of local direct elections, and so these were investigated in more detail.

There is no clear simple link between decentralisation and democratisation with SP implementation; rather, this relationship can work through a number of factors. The following paradigms and perspectives attempt to explain how decentralisation and democratisation will have an impact on SP at the local level. Although there has been ample literature discussing the relationship between them, much of it lacks a framework to explain such a relationship. Among those paradigms and perspectives, most focus only on indirect factors between decentralisation, good governance, and poverty reduction. A few emerging studies have attempted to dissect the relationship between local democracy and SP, but these revolve only around the downside of local politics.

4.3.2.1 Framework of Decentralisation - SP

While a framework that clearly depicts the clear link between decentralisation and SP is still undiscoverable, an important paradigm regarding decentralisation for poverty reduction has been proposed by Romeo (2003). His article asserts the relationship between decentralisation and poverty reduction through two consecutive channels: good local governance and sustainable local development. Decentralisation, in Romeo's definition is the devolution of substantial public sector responsibilities and resources to local authorities, expected to result in improved local governance favourable to the endeavour of local poverty reduction.

However, each of these relationships seems to be very complicated because several factors and conditions are involved. According to Romeo, the path from decentralisation to improved local governance needs greater attention given to local capacity building (p. 90). The link is driven by factors that work at three levels i.e. individual, institutional, and systematic. Firstly, at the individual level, factors such as culture, norms, training, and the attitude of personnel influence local capacity significantly. Secondly, at the institutional level, capacity building relies on the local government body including rules and regulations that govern personnel activities. Finally, at the systematic level, local capacity is influenced and shaped by local policy, the legal system, rules, and practices that manage the relations between local governments and local communities. Therefore, the achievement of good local governance in a decentralised system depends largely on the ability of local governments to handle problems that may appear at the individual, institutional, and systemic levels.

Therefore, according to Romeo (2003) the road from improved local governance to sustainable local development is not straightforward and typically suffers from several problems:

- a. The local economy may be susceptible to external shocks;
- b. The provision of specific public services need local-centre cooperation, which is hard to achieve;
- c. Local governments need to support investment in local economic infrastructure, but do so with difficulty.

Within this framework, Romeo (2003) also argues that better quality of governance is a necessary condition for the improvement of the general welfare for local communities, particularly through resource allocation decisions. A general point that can be drawn from Romeo's perspective is that sustainable local development can only be achieved if local governments have the capacity to manage their economy, deliver public services efficiently, and support infrastructure investment that ultimately can support local economic growth.

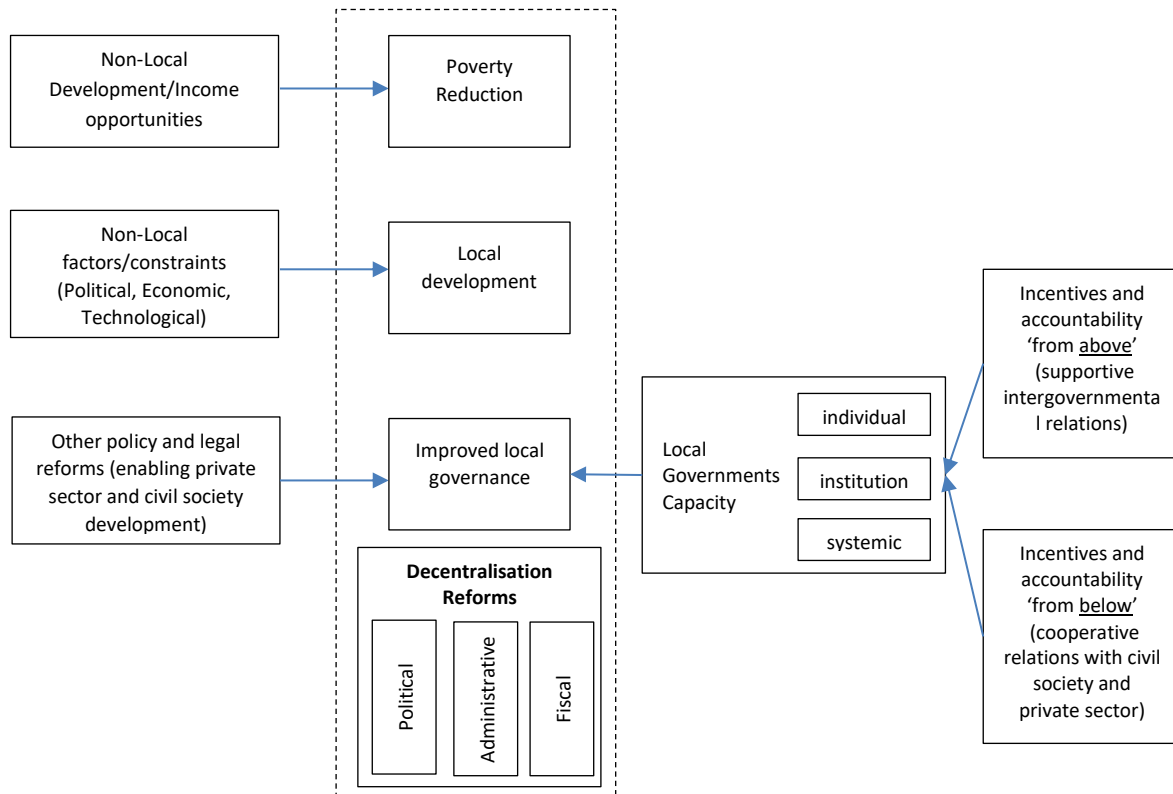


Figure 4.2 The Road from Decentralisation to SP

Finally, the link between local sustainable development and poverty alleviation also rests on other factors. Using Romeo's framework, the adoption of good governance practices can result in pro-poor local development outcomes. This proposition is basically in accordance with the main purpose of decentralisation i.e. it brings government closer to the people on the assumption that local governments have better information about the conditions and needs of their citizens, especially vulnerable groups who supposedly become the target of local development. Several factors that may also apply include employment, economic opportunities outside the regions, and infrastructure investments. The cooperation between local authorities in the region and those in other regions is needed to foster economic development. Furthermore, local development can help reduce poverty more rapidly if there is a comprehensive strategy of poverty alleviation as depicted in Figure 4.2.

Previous sections have discussed at length three important elements in this research i.e. decentralisation, democratisation, and SP. Bringing these elements together, the framework as summarised in Figure 4.2 shows how administrative, economic, social, and political mechanisms give rise to a set of socioeconomic positions, whereby regions are stratified according to variables such as economy, population size, welfare conditions, and other factors; these socioeconomic positions in turn shape specific determinants for SP implementation that are reflective of local context.

‘Context’ is broadly defined in this research to include all social and political mechanisms that generate, configure and maintain social hierarchies, including: the labour market, the educational system, political institutions and other cultural and societal values. Among the contextual factors that most powerfully affect the implementation of SP are the local ideologies and redistributive policies (or the absence of such policies). In the framework for the present study, ideologies are those manifested in political parties that generate guidelines and ‘divisions’ in the society and that define the direction of local policies. The most important and distinctive ideologies are: nationalism, religion, and pluralism.

4.3.2.2 Framework of Local Politics - SP

The approach taken to defining ‘politics’ here is a broad one, influenced by both political sociology and political economy perspectives. In this study, I identify four key aspects of politics in Indonesia that the literature indicates will be of importance in shaping SP in the country, namely political institutions, political actors and agencies, socio-economic forces and the global dimension. These aspects are useful to develop a framework, here largely following the work of Hickey (2008) in Figure 4.3. In his framework, Hickey argues that even the simplest relationship between politics and SP is complicated by the fact that different forms of politics shape different dimensions of SP programmes (p. 249).

Institutional features constitute the historically embedded ‘rules of the game’ within a given society (North, 1990). Formal political institutions include the rules for elections and policy legacies which have established accepted ways of doing things, whereas informal political institutions might include traditional values borne out from patron-client relations. Actors include those individuals and agencies that operationalise and contest the rules of the game in ways that shape the distribution of public goods and power, such as political elites, political parties or governmental departments or agencies. Such actors also forge the discursive element of politics, setting the terms of political discourse within which policy options are crafted. Key issues here include the ideological character and political capacity of such actors and agencies. Socioeconomic forces include public attitudes, levels of citizen voice, levels of urbanisation (migration), economic inequality, and levels and forms of social fragmentation.

Although these societal factors are not intrinsically political they often gain a high degree of political salience in relation to public policy influence. Finally, the distinctive character of governance in most developing countries, including Indonesia, opens a large space for global actors and discourses to be influential. The following framework uses case-study material to discuss the influence that political variables within each of these dimensions have on the uptake, forms and sustainability of SP programmes in Indonesia. Importantly, there are strong interrelationships between each of these

dimensions. In the final section we argue that the notion of 'political contracts' offers a fuller explanation for how the different elements of this framework become aligned in ways that lead to particular outcomes for SP in Indonesia.

As depicted in Figure 4.3, the linkages between politics and SP are multi-dimensional and multi-directional. Even the simplest relationship between politics and SP, which concerns the influence of the former on the latter, is complicated by the fact that different forms of politics shape different dimensions of SP programmes.

At the outset, it can be traced linearly from major factors either external (such as global and national) or internal (social trends). Despite the hindrance on local politics, mainly caused by entrenched patronage and rampant practice of 'clientelism', it can build political support to conceive of SP with various scales and forms depending on the local endowment. Ultimately, SP can create political impact in the form of a growing sense of citizenship and increasing public participation.

Normally, global factors have been assumed to influence the macro level (national government level) in the form of policy prescriptions, advice or technical assistance. Within the nation scope, decentralisation does not make regional government insulated to policies at the central government level. Similarly, social forces have been portrayed as representing trends at the national level. These perceptions, however, could also hold true at the local governance level. Both global factors and social forces shape local politics although deeply-entrenched values in society might still persist. Local politics has been informed by several variables ranging from political institutions, actors, and contemporary political discourses. The dynamics of local politics then largely affect policymaking on SP.

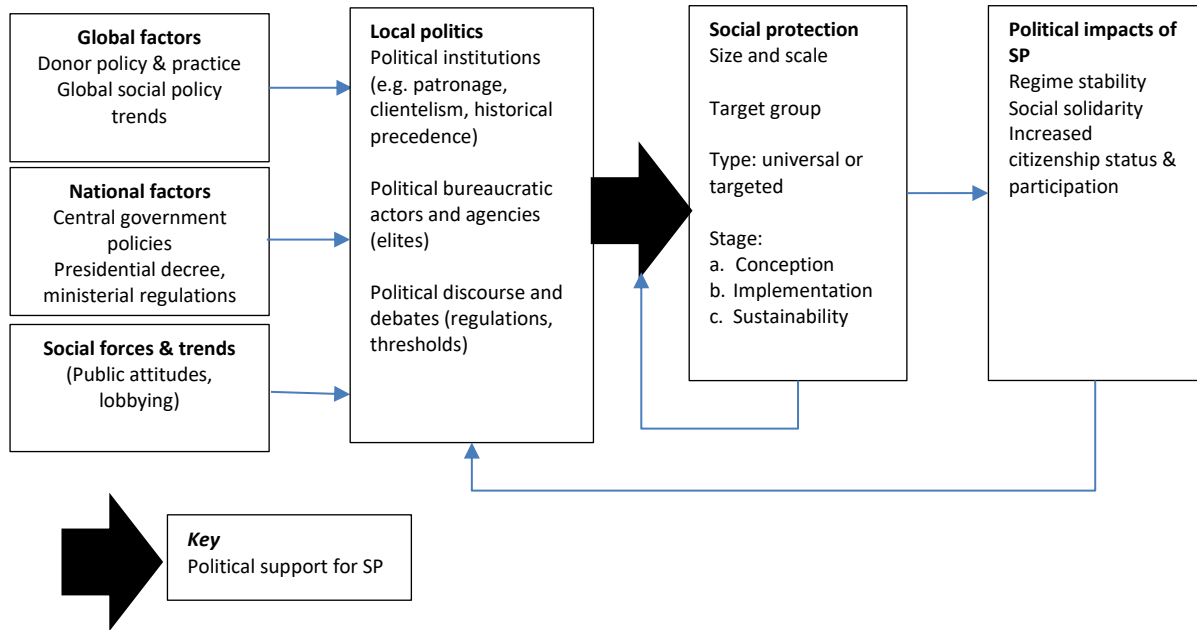


Figure 4.3 The Links between Local Politics and SP

The concept of local politics occupies a conspicuous (and contested) place in discussions of local SP. Local politics cuts across the structural and intermediary dimensions, with features that link it to both. Yet focus on direct elections, depending on the administrative levels (governorship or mayoralty), necessitates understanding the local context, especially when the political nature involves electorates from vulnerable groups who are prone to old practices of vote-buying. Certain interpretations of ‘money politics’ associated them with the strategy of not only garnering votes but also increasing the electorate’s welfare, which have spurred new thinking on the role of non-state actors in promoting welfare, wherein a key task for local SP is running the rudimentary programme and safety net for poor citizens. According to this literature, local government should take the main responsibility for developing SP that allows collaboration and participation of other stakeholders.

4.3.2.3 Framework of Multi-Layered Local Politics - SP

Using the context of India, Pellissery (2006) developed a framework in his thesis to unpack the linkages of multi-layered politics, administration capacity and SP. His framework basically shares similarities with the previous framework of Hickey (2008), but it particularly stresses the channel of democratisation with interwoven relationships amongst stakeholders and unlike Romeo’s which discuss many overall aims of decentralisation, it specifically explains the implementation of local SP. Furthermore, SP is provided by a variety of agencies. Researchers may restrict their study to one source of SP for the purpose of focus, and the politics involved there. A large number of studies are categorised of this kind, where state-mediated SP alone was studied. But, it is often the case that multiple sources, in the course of providing SP, interact and create ‘a political economy’ of unique

combination, attempting to create a typology of existing literature on the politics of SP. Some of the types of literature are not directly linked to the SP issue, but more generally with the analysis of the welfare state.

While these different types of literature on the local politics of SP reveal its complexity, their layered structure is presented in Figure 4.4. Pellissery's framework encapsulates different branches of literature category. It summarises at least two approaches i.e. the 'welfare regime' model and 'bureau-shaping' politics. The former refers to the dominant stream of literature on the politics of SP which dates back to the classification of welfare states (Titmuss, 1974). He proposes the categorisation of welfare states into three types:

- a. Residual, where individuals and households bear most of the risk and the state steps in only when private support is not there.
- b. Industrial-achievement, where the benefit an individual can get is determined by the employment a person has, and in turn the free-market principles dominate the sector.
- c. Institutional-redistributive, the model where the state adopts a leading role by creating a system of defined contribution for intergenerational transfer to generate shared responsibility of various citizens for social security.

The latter, which will be referred in the present study, focuses on administrative machinery. In this framework, the delivery of benefits is the key question. Even if local governments have the financial capacity and political willingness for appropriate SP, the administrative capacity can be limited. Some scholars argue that to distinguish implementation from policy formulation is misleading, and policies are formulated in the process of implementation as the constant re-interpretation of the policy guidelines takes place through bureaucratic interaction with the policies given by legislators. Here, research on SP has benefited from the discipline of public administration in a substantial manner. The literature on street-level bureaucrats (Lipsky, 1980) has shown how the behaviour of organisational bureaucracy is structured not only by public policy and hierarchy, but also by their personal interests and by the nature of the particular client group they serve. Though public choice models of bureaucratic behaviour (Dunleavy, 1994) emphasise the role of politics that could be vital in explaining bureaucratic behaviour, analysis on SP in Western countries in general has considered implementation of policies and bureaucratic behaviour to be largely independent of political intervention.

Policy analysis in Indonesia has been different in this regard. The lack of a bureaucracy (state) independent from the political elite has been dealt with extensively by various scholars in various contexts (Crone, 1988; for a general discussion see Nordholt, 2005). This is an extension of the earlier argument on the weak versus strong state thesis (Huntington, 1968; Migdal, 1988; Myrdal, 1968), and

on the implementation deficit in the policy process as has been reported from most developing countries (Grindle, 1980).

The differential behaviour of bureaucrats is seen as their personal bias separate from the political manoeuvring they may be subjected to. Generally, the response to such situations has been to reform the bureaucracy. This strategy often recognises other actors in the society as an 'action environment' (see Grindle, 1997) in which bureaucrats make interventions. In this sense, the 'policy elites' are bureaucrats and political leaders.

In Indonesia as in other developing countries, direct elections have still been marred with patronage and practices such as clientelism, pork-barrel, and vote buying. The connection to patronage is clear: when candidates are running against those whose party identity and therefore platform and official ideology are the same, they will face a strong incentive to differentiate themselves in other ways. Offering 'concrete' benefits to their constituents is one way to do this. Therefore, many varieties of benefits ranging from housing assistance to cash transfer have often been created without thorough consideration. The main aim of this strategy is simply to lure as many of the electorate as possible. It should be stressed, however, that this is not the only way political candidates can differentiate themselves. Another usual strategy is to create personal campaign teams. These teams are formed of volunteers to promote candidates' individual recognition and generate a sense of personal connection with voters. In so doing, volunteers are recruited on the basis of having worked with or being familiar with community development programmes. It is not uncommon that facilitators working for government programme also help certain political candidates.

The inception phase of the democratisation process coincided with the increasing sense to claim their rights as citizens even at the grassroots level. This situation made politicians devise comprehensive entitlement programmes to fulfil people's demands. In this case, only incumbents and highly-resourced candidates can afford to provide benefits up to government SP standards. On a related note, targeted SP programmes which are presumably effective in garnering votes and normatively increase local welfare standards have not always performed to achieve the desired impact.

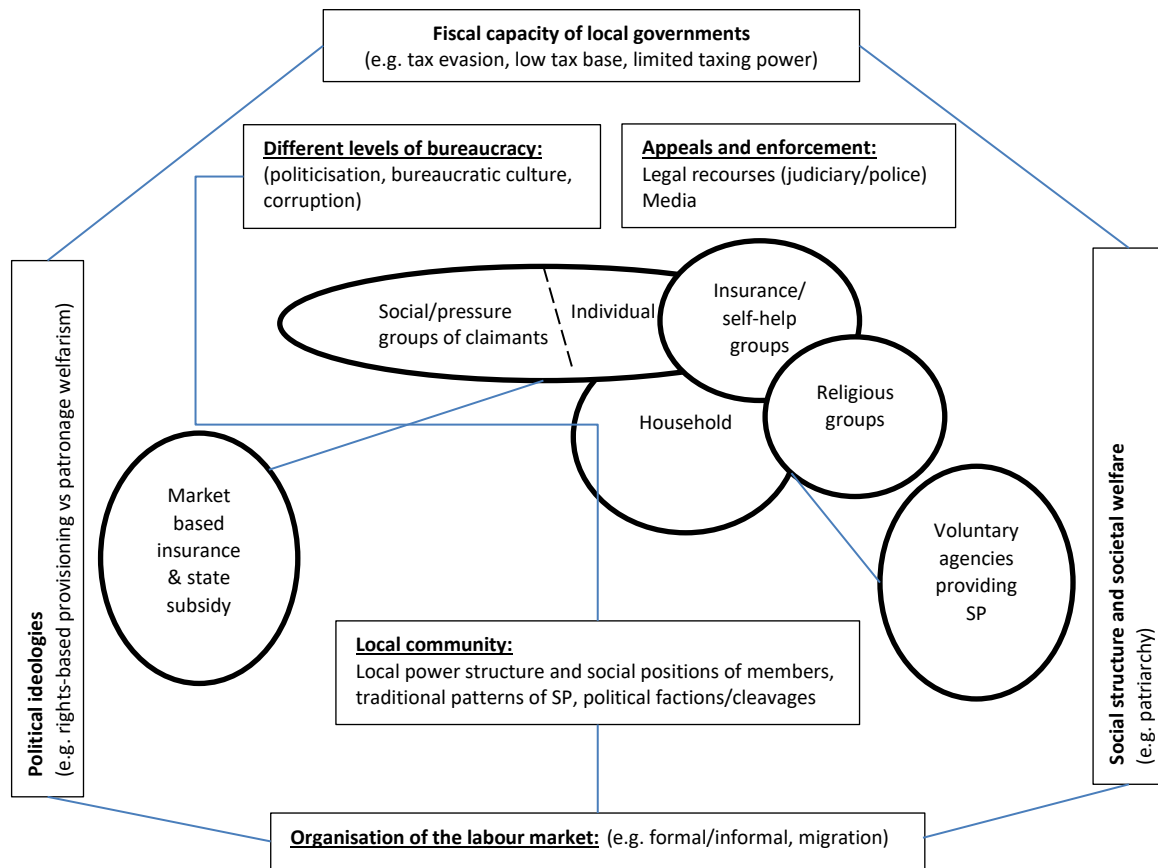


Figure 4.4 Framework of Multi-Layered Politics of State Mediated SP

According to Pellisery's framework (see Figure 4.4), politics is expected to promote the implementation of SP through the following linkages:

- a. Local politics can aim at expanding local SP when politicians have the interests to serve its constituents which therefore assume that most of the electorates belong to the vulnerable group.
- b. Democratisation and SP can be linked through the strategy of resource mobilisation. With greater control of the local electorate over local statutory structures, incumbents may be committed to mobilising available resources to finance SP expansion.
- c. Through the channel of empowerment, democratisation can play a significant role in raising public participation in the decision-making process. The role of the labour market is important in translating the ideological manifesto in the implementation of welfare policies and SP. Increasing participation can lead to the local government being more responsive to the demands of its society.

Democratisation is expected to interact with SP programmes in at least three ways: First, the effective implementation of SP often requires valid information that is specific to the constituents. This detailed

local information can be obtained through an in-depth survey or census to identify potential beneficiaries and their locations. Second, the interaction between SP and local politics emphasizes the important role of direct election as stipulated by the law. In this sense, candidates who vie for every single vote must actively promote their plan to the electorate convincingly, which usually offers promises in the forms of benefits. Third, the ideology and platform of a political party might influence the vision of local leaders.

4.4 Data Sources, Sample Selection, and Methods of Data Collection

The study adopts two methodologies which lend to the exploration of two different sets of data, i.e. quantitative and qualitative. The former is usually limited by at least two factors. Firstly, most research questions cannot be answered by ‘number-crunching’ exercises as they are often perceived to have biases in many aspects. The second factor is related to the ‘over-exploitation’ of existing data sets that deters newly-emerged researchers from different disciplines.

In order to complement the limitations of the quantitative method, doing qualitative analysis is necessary, particularly to obtain a comparative experience in assessing both types of data. Moreover, theories and concepts based on relationships between the factors in the present study can be tested or verified using not only the existing secondary data sets but also primary data generated from fieldwork.

With respect to data collection during fieldwork, briefly explaining the process is tantamount to a review on the data characteristics. Some important aspects in the design of the study include the development of a list of interview questions, data collection methods, justification for location choice, and selection of respondents, including the number of interviews in the study. To a large extent, the success of the fieldwork in answering all research questions addressed in this study depends largely upon the appropriateness and validity of the study design. All of these aspects are explained separately below.

Table 4.1 Summary for Data Source

No.	Type	Extraction Method	Primary Sources	Sample Size
1.	Quantitative	a. Download from websites b. Official data warehouse	a. The World Bank b. Statistics Indonesia	300,000 households for survey representing national level.

No.	Type	Extraction Method	Primary Sources	Sample Size
2.	Qualitative	a. Interviews b. Focused Group Discussion c. Observations	Individual respondents (complete list on Table 4.3)	60-100 persons.

4.4.1 Primary Data Collection

The qualitative analysis in this study will be fully based on in-depth interviews. These interviews use a standardised list of questions, but these are supplemented during the interview process to gather deeper information pertaining to the subject being researched. The in-depth interview is intended to solicit qualitative information about the perceptions and opinions of key informants. It should be noted that the focus group discussion (FGD) method was arranged in this study when large number of respondents were available and to make it more efficient in terms of time usage.

In the entire fieldwork, the limitation of time was a major constraint in the field work. At the time of the fieldwork, which coincided with the month of Ramadan (fasting month for Muslim), most local officials were only available in the office for fewer hours. Therefore, some of them were contacted by telephone in the weekend.

As the primary data was collected based on interviews, a list of questions rather than a questionnaire was used in the present study. This list of questions plays a pivotal role, especially as a main guide in obtaining comprehensive information. Since the fieldwork was conducted in two selected districts, a standardised list of interview questions to measure the impact of decentralisation on SP is needed in order to be able to compare the results in different regions. This list is not rigid but is somewhat informal in a way that the subject can be changed to the situation on the ground. Yet, some core questions deemed important had to be asked. Each question in the list can be expanded or removed depending on its appropriateness. Respondents can freely express their opinion in answering each question. Based on the opinion or sentiment of respondents, the scope of interview can be broadened to capture other related issues.

The qualitative data on in-depth interviews attempt to address several aspects:

- a. The current practices of local governments in running their autonomous regions with respect to participation, empowerment, public service delivery, targeting, governance, and other aspects determining the link between decentralisation and SP;

- b. The extent to which local parliaments and other stakeholders are involved in the effort of social welfare improvement in a decentralised system;
- c. The extent to which the local government has the capacity to design and implement their SP programmes.

In this regard, respondents were asked about SP programmes and their effectiveness following the changes of the decentralisation era, especially with respect to design, implementation, and impact of the programmes.

4.4.2 Secondary Data Collection

Generally, quantitative data is collected from secondary sources. Quantitative information may include local government statistics encompassing budgets, expenditures, human resource situations, and socio-economic indicators. This type of information is collected from local government institutions where relevant data is available. This quantitative information is used to support and to form the primary data analysis.

For the analytical purpose of examining the relationship between decentralisation and SP at the local level, the quantitative information for all districts is taken from the INDO-DAPOER data set provided by the World Bank. It comprises various indicators from official sources i.e. Ministry of Finance, Ministry of Home Affairs, Statistics Indonesia, among others. To evaluate the decentralisation impact on social welfare changes in selected districts, raw data from the National Socio-Economic Survey (*Survei Sosial Ekonomi Nasional*, Susenas) was analysed. Brief notes on Susenas are given in different parts of the study. The advantage of having Susenas as a reference for this study can also lead to analysis on the effect of deepened democratisation (for instance, using proxies of local direct elections).

4.4.2.1 The INDO-DAPOER dataset for analysis on government transfer: a short comment

Those who deal with Indonesia's sub-national development issues could have difficulty in collating data from various sources, particularly related to inter-governmental transfers. Decentralisation is mainly an issue that involves at least two main ministries, Finance and Home Affairs, for fiscal arrangement and coordination respectively. Fortunately, the World Bank in 2014 has launched INDO-DAPOER (Indonesia Data for Policy and Economics Research) and it is accessible for public use. It contains relevant economic and social indicators at the province- and district-level, which span across four main categories: fiscal, economic, social and demographic, as well as infrastructure. Indicators range from the sub-national government revenue and expenditure, sub-national GDP, to specific

education, health, and infrastructure indicators such as net enrolment rate for junior secondary, immunization rate, and household access to safe sanitation.

The emergence of INDO-DAPOER attracts many researchers and practitioners, especially those who are working on decentralisation which started from 2001. This has been the focus of many research projects and studies, intending to monitor its progress and develop a better understanding of sub-national issues in general. For the present study, INDO-DAPOER will be explored and analysed through various statistical tools. Relevant to this endeavour is to observe whether the distribution of intergovernmental grants has had an equalising impact on welfare-related outcomes. Also, it is important to find out if the gaps between provinces, districts, or islands are addressed if not solved within this central-local transfer mechanism. Therefore, to support these aims, cluster analysis fits to seek the groupings or patterns of the INDO-DAPOER data set.

4.4.2.2 Susenas as the main source for welfare analysis: a brief note

Susenas has been utilised as one of the most important sources of data used in both policymaking and studies. Undeniably, the data set has long been used to evaluate and monitor the performance of government programmes related to social welfare. The annual survey consists of a wide range of indicators such as consumption, education, health, employment, and housing. Moreover, the data set has also been used extensively as the primary source of the estimation for measuring poverty. The Susenas consists of two types: core and module. The Susenas core is conducted on an annual basis with a relatively similar list of questions in each period whilst the Susenas module is also conducted every year with different sets of questionnaires. There are three types of Susenas modules:

- a. Consumption module
- b. Education and health module
- c. Housing, social, and culture module

Each module is repeated every three years. Different from the core, the Susenas module hosts a detailed list of questions and smaller sample size. Susenas core usually interviews around 200,000 households which allow estimation at district level, while the Susenas module only includes around 65,000 households in the survey which enables estimates at provincial level.

In this study, particular focus will be given to the annually-published consumption module which encompasses questions on social assistance received by households. The usage of the Susenas dataset can be helpful for at least two analyses. Firstly, analysis of the percentile distribution on SP benefits can explain or confirm the challenge of distribution that arises particularly with regards to the targeting registry. The result of this can lead to errors of 'misnumeration' and 'misclassification' that have strong implications for targeting accuracy, which is commonly assessed using two key measures:

leakage (or ‘inclusion error’), when non-intended beneficiaries receive program benefits, and under-coverage (or ‘exclusion error’), when intended beneficiaries do not receive program benefits (Cornia & Stewart, 1995). This analysis is relevant currently where programmes and countries today suffer from the adverse consequences of inaccurate targeting (Acosta, Leite, & Rigolini, 2011).

Secondly, the analysis of the distributive impact of growth can be undertaken with the abundant information related to consumption expenditure or household spending available on Susenas. One basic tool used in this thesis is the growth incidence curve (GIC), measuring the quantile-specific rate of economic growth between two points in time as a function of each percentile (Ravallion and Chen, 2003). In the literature examining income (or spending) growth, the growth process is basically analysed by comparing the pre-growth and post-growth distribution. There is a clear parallel here between the transformation of expenditure distribution through growth and the transformation due to social transfer. Therefore, within the boundary of assumptions on decentralisation, democratisation, and SP, ‘pro-poor’ growth at the local level is assumed to reduce the gap in distribution.

4.4.3 Interview Guideline

Using semi-structured interviews, this research employs sets of questions designed and customised for each respondent group. Each stresses different topics depending on their relevance. For instance, questions with regards to SP administration are elaborated and detailed for interviews with government respondents. The questionnaire set for beneficiaries is designed to capture implementation and to a certain degree their satisfaction level. The set of questions is not strictly binding and can be supplanted or improvised with other related questions (See [Appendix B](#) for the complete sets).

4.4.4 Selection of the Study Location

Fieldwork was conducted in two selected districts, Sragen and Surakarta. The selection of sampled districts was based on several criteria which were expected to meet the aims of the study (see detailed explanation in Chapter 5).

Whilst decentralisation, democratisation, and SP are both centralised government policies undertaken on a nationwide scale comprising hundreds of districts and 34 provinces, the main focus of this research is the island of Java, where most populations, including where the largest poor populations reside. The choice of locations is based on several criteria which are expected to meet the aims of the

study. Hence, the selection of regions is determined based on three main control variables: the level of human development, local revenue, and local expenditure. These variables are estimated in depth using instrumental proxy sources as follows:

1. Human development variables

- a) Gini coefficient
- b) Poverty rate
- c) Population

2. Local revenue

- a) Proportion of General Allocation Fund to local budget
- b) Proportion of Special Allocation Grant to local budget

3. Local expenditure

- a) Regional GDP
- b) Proportion of SP expenditure to local budget

In order to substantiate the choice of location, cluster analysis is employed to identify four types of regions using a set of indicators covering definitions of development based on four conceptual frames (details for these steps are in Chapter 5). This method is largely derived from the research of Vázquez and Sumner (2012) proposing an alternative taxonomy for developing countries. Cluster analysis is a numerical technique that is suitable for classifying a sample of heterogeneous regions in a limited number of groups, each of which is internally homogeneous in terms of the similarities between the regions that comprise it. Ultimately, the goal of cluster analysis is to provide classifications that are reasonably 'objective' and 'stable' (Everitt, Landau, Leese, & Stahl, 2011).

The two locations of the study, therefore, are:

- a) Sragen: a district with limited resources and high poverty rate
- b) Surakarta: a city with positive progress in livelihood improvement

This research is aided by the fact that I speak the Indonesian language (and Javanese), and my previous position in the Ministry of Planning that allowed me to reach key people in the Indonesian government, both central and local.

Table 4.2 Descriptive Statistics on Selected Sample Districts

	Population	Economy (in million Rp, constant price)	Local Financial Capacity (in million Rp)	Poverty and Socio- economic data (% of population)
Sragen	859,969	GRDP: 3,485,990	Local expenditure:	Poverty rate: 16.7
		GRDP excluding oil	1,197,430	Unemployment rate:
		sector: 3,485,990	Local revenue:	6.0
			1,308,940	SP beneficiaries: 12.9
Surakarta	500,328	GRDP: 5,742,860	Local expenditure:	Poverty rate: 12.0
		GRDP excluding oil	1,145,170	Unemployment rate:
		sector: 5,742,860	Local revenue:	6.1
			1,239,450	SP beneficiaries: 8.7

Source: Indo-DAPOER database, World Bank and TNP2K, Government of Indonesia. Data as of 2012.

There are reasons for selecting a relatively small sampling strategy. The first is that existing research made it possible to anticipate that the effects on SP of decentralisation would be highly heterogeneous, as a result of how the existing diversities of social, political and economic settings interacted with local variations on how SP was governed (Sumarto, Vothknecht, & Wijaya, 2014b). As it is precisely an understanding of the interaction of the social, economic, and governance context with the outcomes of SP which the study aimed to assess, a large sample size is unlikely to be of value, as no meaningfully robust statistical analysis can be achieved from the analysis of numerous highly diverse outcomes (White & Phillips, 2012).

The fact that the selected samples are located in Java might lead to biased results considering the huge inter-island disparity. However, as mentioned in the objectives, this study has selected cases which best represent regions with mature decentralisation. In that way, it is expected that the reflection of decentralisation effects can be observed. This is in line with the use of purposive sampling technique to find a specific purpose rather than sample randomly (Tashakkori & Teddlie 2003, p.713).

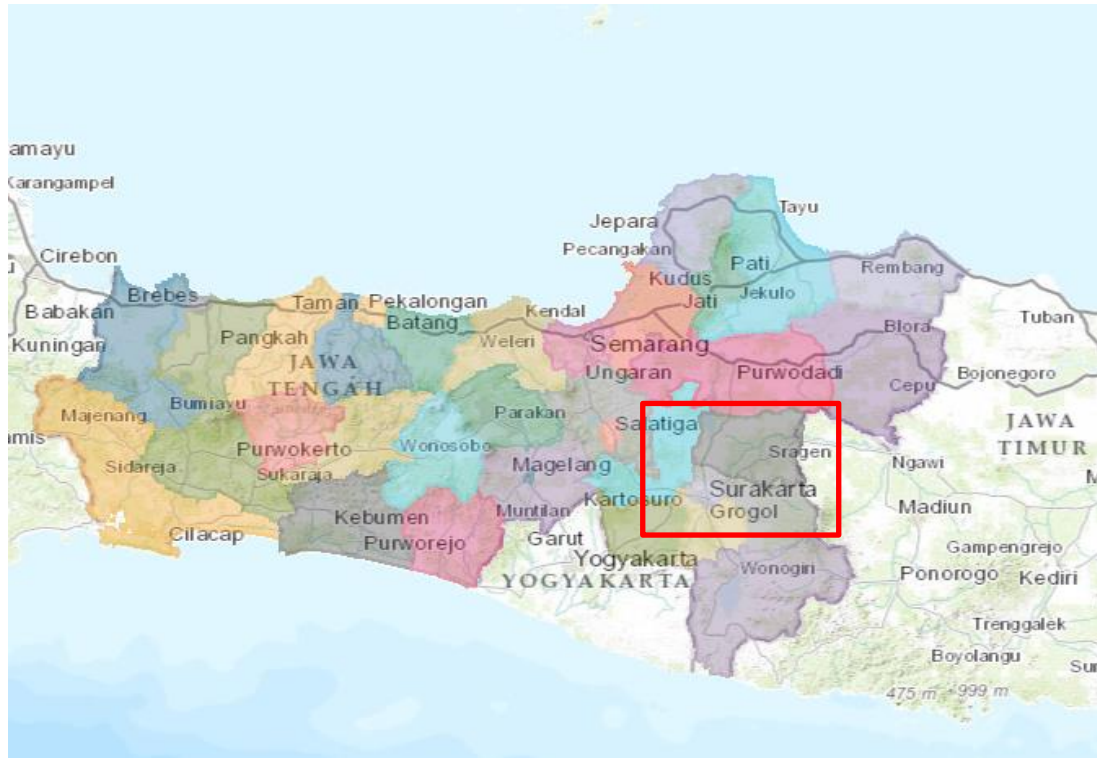


Figure 4.5 Map of Surakarta and Sragen

4.4.5 Selection of Respondents

The selection of respondents is an important aspect partly for determining the validity of information. In general, the selected respondents/key informants will come from various backgrounds so that comprehensive information and representative evidence can be elicited. The description of the sample selection is summarised in Table 4.2. The method of choosing respondents is purposive sampling where the study's purpose and the researcher's knowledge of the population guide the process.

There are three approaches to contact respondents in the field. The first uses a formal approach to local government institutions and local parliament members. It means that standard formal letters will be sent prior to visits and close contacts with intermediaries (secretary or personal staff) will be maintained. The second is less-formal approach in establishing contacts with local NGOs, research institutes, universities, and programme facilitators. While formal credentials will be prepared, contacts through informal networks will be explored. The third approach is interviews with the heads of the village and/or neighbourhood. From these initial entry activities, permission and information were sought about how to identify SP recipients and non-recipients. Field research will be attempted to conduct interviews with matched pairs of households in each village, to ensure that SP non-

recipients who may have been or have been perceived to be eligible were included in the research process.

Table 4.3 The Selection of Respondents for In-depth Interviews

Institutions	Description of sample selection	Population	No. of samples	Roles of the respondents	Anticipated limitations
Local government institutions	Planning agency and sectoral offices involved in SP programme are to be selected first. Respondents representing these institutions will then be selected for interview.	Two heads of social services unit under district administration.	Three representing officials from TKPKD (or Dinas Sosial) in each region.	Managing policymaking on social policies at the local level.	Considering the heavy load at particular times, the interview with the head/leader will probably be delegated to subordinates.
NGOs/Local universities	NGOs and other institutions involve directly in monitoring the implementation of regional autonomy and/or having concerns with SP are to be selected with representatives to be interviewed.	Two state universities (UNS and Undip) located in the region and around 20 NGOs in those districts.	Three representing resource persons from nearest NGOs or universities. One potential state university (UNS) and four NGOs.	The heads of NGO/institutions or those who could represent the institutions and have knowledge on the topic.	NGOs might have wide-range divisions which encompass multiple issues. Therefore, specialised resource persons might be irreplaceable.
Local parliament/DPRD	Members of political parties who have responsibility for managing SP are to be selected and interviewed. Location of interview might be in their preferred locations (residence) so that they can freely express their views.	Sragen and Surakarta each have 45 legislative members from 8 political parties.	Five representing persons from each districts.	Local parliament members representing political parties.	Considering the heavy load at particular times, probably the interview with the head/leader will be delegated to their assistants/expert staffs.

Institutions	Description of sample selection	Population	No. of samples	Roles of the respondents	Anticipated limitations
Community leaders	They are to be selected purposively by taking into account urban/rural characteristics and whether social protection programmes are available in their regions.	Sragen has 208 villages/ <i>kelurahan</i> , Surakarta has 51.	Three representing resource persons in each districts. Samples are selected based on the village with relatively higher poverty rate or SP beneficiaries.	Heads of villages/ <i>kelurahan</i> , who serve as community leaders.	In interviews with community leaders might need to be mindful of sensitive topics regarding corruption and targeting.
Facilitators or operators of SP programmes.	Persons who are recruited and work on permanent basis to support the implementation of SP in the field.	Average number of facilitators can reach hundreds, depending on the programme scale.	Three persons from different SP programmes in each district.	Facilitators or operators who work directly and are intermediary between local policymakers and beneficiaries.	Interview with facilitators and operators might be distorted with their complaints and demands on SP.
Poor people/SP beneficiaries	List of poor people available at local statistical office/local government institutions was used to identify the poor who are the beneficiaries of social protection programme.	According to the latest poverty census, there are 111,067 and 43,689 beneficiaries in Sragen and Surakarta respectively.	10 beneficiaries (to capture various SP programmes) in each districts.	The poor who have been registered and actually received assistance from SP programmes.	Interviews with beneficiaries might be distorted with their complaints or demands on SP.

*) One institute in Sragen (Matra) and one in Surakarta (PPRBM, *Pusat Rehabilitasi Bersumber Daya Masyarakat* or Community Based Rehabilitation–Development and Training Center)

Given that the object of this study is related to governance, this entails a number of sensitive issues such as corruption, elite capture, and patronage. Encountering these issues, particularly among elite groups, might be challenging for researchers in the field. This situation will not be ideal and it will cause apprehension, as well as the risks of acquiring misleading information. The risks can be anticipated and minimised by delivering the list of questions prior to visits to gain consent earlier. The proper arrangement of questions using proxies and avoiding direct questions can also be used as a strategy during interview sessions.

4.5 Strategy of the Current Study and Analysis Method

There are three main aspects discussed in this section. These include the strategy for comparing the impact of decentralisation, method of analysis, and several measures used for the analysis. Details of these aspects are discussed separately below.

4.5.1 Time Comparison and Regional Comparison

The general strategy used in the present study to evaluate the impact of decentralisation and dmeocratisation on SP is largely based on two approaches: time comparison and regional comparison. Time comparison refers to the differentiation of the performance in selected districts between the periods before and after decentralisation. Regional comparison attempts to look at the performance of decentralisation-social welfare related measures between two selected districts under the study. It is also important to note that before these comparisons are made, the general relationship between decentralisation and social welfare were assessed at the macro level using secondary data for all districts whenever available.

In terms of time comparison, the periods before decentralisation used in this study refers to the period 1983-1999, while the period post-decentralisation refers to years 2001-2010. The selection of the period 1983-1999 as the basis of comparison is due to the fact that this period refers to a time when the Indonesian economy reached its peak with its stable growth rate. This ideal situation is expected to have an impact on rapid poverty reduction and social welfare improvement. In this period also, Indonesia actually suffered from economic crisis starting from mid-1997. Thus, the inclusion of both the stable and crisis period is expected to provide fair and balanced judgment on the analysis.

For the selection of the period 2001-2010, though some effects of the economic crisis might still be present in many districts, a few studies (e.g. Said & Widyanti, 2002; Suryahadi, Sumarto, & Pritchett, 2003) concerning the impact of the crisis on poverty depict that a sharp increase in poverty rate during

the economic crisis was, to some degree, a transient phenomenon. Using official figures, the national poverty rate, which reached a peak of 24 percent in 1998 and declined slightly to 23 percent in 1999, actually returned to a rate similar to that before the crisis, while many other social indicators like health and education remained relatively stable (Statistics Indonesia & UNDP, 1999).

However, these chosen periods are not rigidly included in the analysis especially in the discussion of the case for two selected districts. Much of the data, which is available only during the crisis period to represent the pre-decentralisation era, will also be employed to compare the performance of the two districts. In some instances, the figures for 2000 are used mainly as a starting point for the early condition of decentralisation-related programmes. This is due to the fact that large amounts of data available in January 2001 actually reflect the condition of the previous year.

It is also worth pointing out that although the fieldwork was conducted in 2015, comparison between the periods before and after decentralisation can still be made in terms of both quantitative and qualitative indicators. For the quantitative comparison, it can be easily assessed because data for these two periods is largely available. Similarly, qualitative findings rely on the the method of oral history from selected respondents regarding the situation comparatively between periods of pre- and post-decentralisation. Assuming that those who were at their 20s or older during the inception phase of decentralisation, respondents are chosen based on their knowledge of the past events mainly reflected on their age.

4.5.2 Strategy of Addressing Research Questions

The first research question was: 'To what extent has decentralisation and democratisation in Indonesia enabled SP programmes to improve the livelihood of poor and vulnerable people?' This question can be addressed through the following strategies:

- a) Comparing the rates of poverty reduction (or welfare improvement) by district before and after decentralisation and establishing correlation with relevant social welfare indicators.
- b) Analysing changes in spending on SP programmes by district and finding correlation with welfare improvement at the macro level. More importantly, it might be meaningful to evaluate spending in selected districts.
- c) Measuring the impact of decentralisation on household poverty in selected districts and analysing the role of economic growth in welfare improvement during the period before and after the implementation of decentralisation.

Detailed information is explored through the list of questions addressed to the respondents (attached in Appendix B-1 and B-2, respectively for English and Indonesian translation). In order to dig information during the interviews more extensively, the usage of local language (Javanese) might be considered. Locations of interviews might also affect the degree of openness and completeness of information so that for sensitive topics might only be addressed in informal spaces where the respondents can answer the questions comfortably.

4.5.3 Method of Analysis: a Triangulation Approach

The strategy of triangulation is often used in data analysis to provide various ways of looking at the same phenomenon and to improve credibility (Patton, 2002). In his book, Patton introduced four types of triangulation:

- a. Methods triangulation
- b. Triangulation of sources
- c. Analyst triangulation
- d. Theory/perspective triangulation

Of all these four types, methods triangulation and triangulation of sources are selected for the present study. The advantage of these chosen triangulation methods lie in its consistency of checking the findings generated by different data collection methods.

Methods triangulation may involve the reconciliation of qualitative and quantitative data. In this kind of triangulation, both types of data are compared and analysed. The observation will specifically point towards the contribution of both analyses in understanding the impact of decentralisation on SP in selected districts.

With regards to the triangulation of sources in this study, it will focus on comparing the perspectives of people from different backgrounds and cross-checking the results with semi-structured in-depth interviews against programme documents and other written evidence. Practically, the most feasible steps to undertake triangulation is by creating group lists consist of respondents from different categories i.e. (1) local government officials; (2) local member of parliamentss; (3) community leaders; (4) facilitators; (5) NGOs/local universities; and (6) beneficiaries. Triangulation in this context refers to the checks and balances each and every information given by the respondents particularly ones that are contentious. Cross-checks can be done within the same group of respondents and across groups. The results of triangulation can find the pattern or the most dominant response which leads to either complementing information surrounding a topic or filtering possible false and inaccurate information.

Another important step to verify the information given at the interviews is by observing the business process of SP that encompasses registration, distribution, and other services.

4.6 Research Methods

This study will be informed by the extended case method (as proposed by Burawoy, 1998) which employs a mix of qualitative and quantitative methods. The type of design in this research is basically to confirm the findings of quantitative data using the findings from qualitative analysis, which will be conducted sequentially.

In the quantitative analysis, this study will use various statistical data from official agencies and non-governmental institutions. Meanwhile, qualitative data will be collected from a combination of observation, interviews, focus groups and literature reviews, both in English and Indonesian (or possibly local ethnic languages). The qualitative research will be enhanced by interviews with elite groups (policymakers) and beneficiaries with the aim of providing insights into the mind-set of the actor/s that have played a key role in shaping society. Apart from the conceptual and analytical frameworks, the decision to choose a mixed-method research design in this study is also based on two technical reasons. First, quantitative analysis at the local level might be insufficient owing to the lack of detailed data sets, particularly for the newly formed regions. Thus, the limitation of the quantitative method can be offset by the strength of the qualitative method. Second, it anticipates the situations where quantitative results require an explanation as to what they mean.

During fieldwork, I spent time in the parliament building, public offices, and offices of civil society institutions, religious organisations, and houses of SP beneficiaries. They were the scenes where my fieldwork was set out and with which my sources associated. Interviews usually took place in various locations depending on the preferences and convenience of each respondent. The interview process could therefore be done in homes, offices, restaurants, or any preferable venues. The interviews were very worthwhile in helping me reach explanations and insights into some research problems that emerged during the fieldwork. The interviews with informants then became a medium of private narratives as they talked to me in person about particular subjects related to the research.

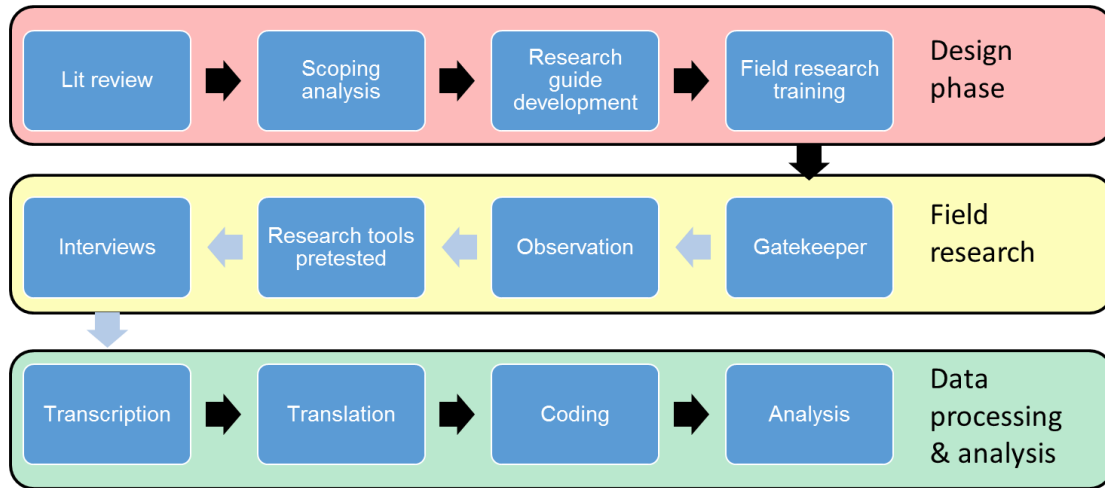


Figure 4.6 Research Design and Processes

4.6.1 Secondary Analysis of Data (for Macro-Quantitative analysis)

This section will focus on the strategic picture of integration as a means to overcoming barriers to inclusion. The purpose of this method is to capture stylised trends regarding SP and decentralisation using secondary data sets from official sources (statistics from ministries and various local offices). The results of the quantitative analysis will serve as a basis for further qualitative analysis. The aims of this study will be to clarify:

- Variations between locations (e.g. population, local revenue, expenditure).
- Levels of efficiency (comparison between service provision and expenditure).
- Exclusion levels of the people.
- Availability and accessibility of services.

Table 4.4 Description of Data Sources for Quantitative Analysis

Variables	Data Sources	Years and Regions available	Limitations
<i>Human development variables</i>			
1. Gini coefficient	Statistics Indonesia, Gini coefficient, poverty rate, social protection benefits are based from annual National Socio-Economic Survey (Susenas), whilst data on population is taken from decennial census. Variables	Gini coefficient is published annually from 2007 but it is available in irregular order from 1976.	Gini coefficient is available only at provincial level. Population figure is interpolated for years in between census periods. Information on SP only available in the most recent periods. For Sakernas, missing
2. Poverty rate			
3. Population		Poverty rate for district level is available from 1999 to 2009, except years 2000 and 2001 while for province it is available from 1999 to 2011, except years 2000	
4. Social protection benefits (including health care, education assistance, rice subsidy, cash transfers, pension)			
5. Population deprived from basic infrastructure			

Variables	Data Sources	Years and Regions available	Limitations
(protected water, electricity, sanitation, shelter)	related to employment are calculated from annual National Labour Force Survey (Sakernas).	and 2001. Employment-related data for districts is available from 2007 while provincial data is available from 2001.	data is found for 6 districts, making a gap between province and total district in Papua.
6. Employment, unemployment, underemployment, and labour force			
Fiscal indicators			
1. General allocation fund	Ministry of Finance, SIKD (Information System for Sub-National Budget), compiled in the Indo-DAPOER database administered by the World Bank.	For year 1994-2009 (realisation). Prior to 2001, the General Allocation Grant was named Subsidy for Autonomous Region.	SP expenditure before 2001 was not listed on budget classification.
2. Special allocation grant			
3. Total natural resource revenue sharing			
4. Social protection expenditure			

Whilst the availability of data at the local level has recently begun to emerge, there is a problem in ‘backcasting’ the figures for newly created regions. Equally challenging is to trace these figures from the originating or parent regions. Given the high number of Susenas observations –around 157,000 households in 1999 and 278,000 in 2005– the district-level data can be considered reliable. However, Susenas enumerators often cannot capture data in very remote areas, which detracts from this reliability. In the 1999 and 2002 surveys, for example, BPS acknowledged the difficulty of reaching conflict areas in Aceh, Maluku and Papua. The difficulty of interviewing those in the highest and lowest income brackets is another challenge recognised by the survey (Leigh & van der Eng 2009).

4.6.2 Thematic Analysis (for Micro-Qualitative analysis)

As mentioned previously, the data for qualitative analysis is collected using in-depth interviews. Interviews will be conducted with local people as well as officials, community leaders, and beneficiaries. An emphasis will be placed on whether SP needs are sufficiently met. This is a highly qualitative method, focusing on observing how accountability chains are formed, how social interaction shapes political processes, and how issues are presented within the community. It will also look at what and how capacity-building efforts are carried out and what public administration reforms have taken place.

Later, the results of data gathered from multiple interviews will be analysed using thematic analysis. The purpose of choosing this analysis method is mainly to identify, analyse and report patterns or themes within the data (Braun & Clarke, 2006). Thematic analysis has its merits in terms of theoretical and methodological underpinning. It is considered the most flexible among various forms of

qualitative analysis (narrative, grounded-theory, discourse). Also, it can work alongside other methods simultaneously, as Ryan and Bernard (2003) state that thematic analysis is a process performed along with major analytical traditions, such as grounded theory rather than being an approach on its own.

Therefore, one can rely on different approaches of being experimental, essentialist/realist, constructionist, or critical realist in implementing thematic analysis (Boyatzis, 1998). Using this method, it involves both inductive and deductive coding during the post-interview phase. The protocol for thematic analysis consists of six steps as follows:

- a. Read and re-read the data
- b. Initial codes
- c. Theme generation
- d. Reviewing themes
- e. Naming and confirming themes
- f. Dissemination

In the context of the present study, thematic analysis is employed to capture something important about the data in relation to the research questions and represent a patterned response within the data set. Themes do not have to capture a certain amount of data or merge from a certain proportion of the data, they just need to capture 'something important'. Consequently, the researcher's judgement is valuable in determining themes before going into the field.

4.7 Setting the Scene and Notes on Research Method

Carried out for three months, from May to August 2015, the fieldwork took place in two different locations. First it took place in the District of Sragen, while the second was in the Municipality of Surakarta (also commonly known as Solo or Sala, interchangeably). Each of the locations has few similarities and evidently more differences. The former is characterised as the outskirts or semi-rural type of early conurbation where the agriculture sector still predominates the local economy. In contrast, the latter is a rather developed urban area with a large service sector, mainly commerce and education sub-sectors.

Both Sragen and Solo are located in the same province: Central Java, situated at the heart of mainland Java without a coastal zone. Historically, both are under the royal administration of the kingdom of *Surakarta Hadiningrat* starting from the mid-18th century until the demise of the royal family's reign in the early 20th century.

The mainland of Java is arguably the most densely populated area in the world, a region characterised by paddy fields, scattered villages and volcanoes towering sometimes more than 3000 metres above this landscape. The climate is tropical, bringing the city and the regency to a constant average temperature of about 30° throughout the year, and annual precipitation sums of more than 2000 mm. Depending on the monsoon, the year can be divided into a rainy season from October until June, with December and January as the wettest months, and a short dry season in the remaining three months (BPS Surakarta & Bappeda Surakarta, 2010).

The district (*kabupaten*) of Sragen (henceforth called Sragen), is located in the eastern part of the Central Java province in Indonesia. Its capital (also named Sragen) is located about 30 km to the northeast of Surakarta. It borders with East Java Province to the east. The longest river, Bengawan Solo flows through the fertile rice fields in the region. Sragen regency consists of 20 sub-districts (*kecamatan*), which are further divided into 208 administrative villages (*kelurahan*).

The city of Surakarta (Solo) is the second largest municipality in Central Java (after the city of Semarang), located in the eastern lowlands between two volcanic mountain ranges. While official statistics report a population of around half a million, daytime numbers can rise up to 1.5 million, owing to the large inflow of commuters from surrounding districts. The economy of Solo is renowned for its diverse manufacturing sector, which includes one of Indonesia's oldest *batik*¹⁰ production centres. The municipality of Surakarta is divided into five sub-districts (*kecamatan*) and 51 administrative villages (*kelurahan*).

In order to collect the data, in this research I attempted to undertake the traditional method of anthropological research, i.e. participant observation, in addition to carrying out interviews. These methods helped me to access plenty of essential sources for primary data. The interviews gave me ample opportunity to talk with the respondents by deepening a particular topic of the research so that I could acquire a better understanding of the subject being investigated. I talked with respondents by asking them questions through semi-structured and open-ended interviews, as this approach made it possible for me to change from one topic to another and gave interviewees the chance to talk freely and openly. In that way, I was still able to control the flow of the talk as the interviews went on, to keep the subject focused. Through a series of interviews, I had a good chance to deepen particular issues and to address specific themes so that I could gather as much data as I needed from the respondents.

Through participant observation, I engaged in a number of social activities relevant to the research project which helped me obtain first-hand data about the subject of research. Participant observation

¹⁰ Traditional cloth made using special technique of wax-resistant dyeing.

allowed me to get the real picture of social life and helped me to immerse myself in experiencing the bureaucratic process in a way that could not be done through interviews. In so doing, I attended various public gatherings to observe the dynamics of problems in society and joined poverty surveys to grasp the implementation of such methods for targeting purposes. Observing public gatherings (*rapat warga*) helped me to understand more deeply how decentralisation was perceived and interpreted differently in many ways by various people. I also noted that SP is a complicated business since it is closely associated with complex administration involving power-holders who have a great deal of political influence within the state. I undertook field observation not only about the day-to-day management of local SP but also about how people take part as beneficiaries, observers, or facilitators, and witnessed how social initiatives were organised by many social groups such as NGOs, civil society associations, and religious organisations. Here, I observed live events and took photographs which complement my written descriptions, expressing how the public were deeply frustrated with the intricacies of the bureaucracy which impede access to SP. Through participant observation, I had a very good chance to learn, not only from common people about general information surrounding decentralisation, democratisation and SP, but also to listen to their specific and overall complaints.

4.7.1 Demographic Situation

In terms of demography, these two regions are quite distinguishable. Sragen is populated by around 879,000 people (as of 2015) while Surakarta as a medium-sized city is currently inhabited by approximately 530,000 (the most updated data from 2014). The population growth rates for Sragen and Solo are 0.39 and 0.08 percent respectively. Sragen has been experiencing a 10 base points decline in the last five years whilst the growth rate in Solo is kept stable at relatively the same rate from 2007 to date. The most recent data shows that the proportion of population in a productive age range (15-64 years old) in Sragen and Solo are relatively high at 67.12 and 71.41 percent respectively. A large old age population in Sragen is not surprising considering the situation in which large numbers of working-age youth tend to relocate to big cities to find jobs.

Municipality status in Surakarta means that the entire population has been living in an urban area. Meanwhile, the majority of the population in the District of Sragen live in rural areas. However, the urban population is reportedly increasing, from 27.6 percent in early 2000 to 32.3 percent in the latest census of 2010.

The unemployment rates are relatively higher in Surakarta (close to 10 percent) during the period of 2007-2013, yet the underemployment rates are always higher in Sragen (30 to 35 percent). Despite

the fluctuating trend, both rates have been seemingly stable for the observed periods. Figure 6.1 largely reflects the fact that in Sragen most of the workers rely on the informal sector which can only provide menial, casual, or seasonal jobs with small income.

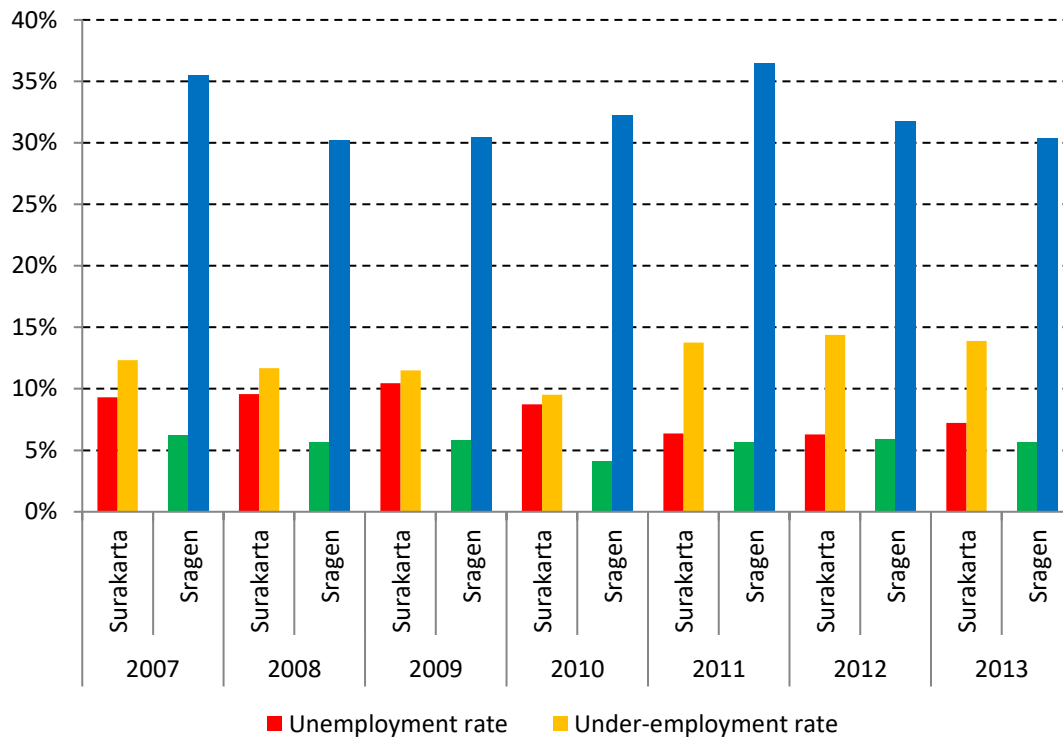


Figure 4.7 Unemployment and Under-employment in Sragen and Surakarta (2007-2013)

Source: BPS Surakarta & BPS Sragen

4.7.2 Local Financial Capacity

Figure 6.2 displays regional finance positions for both regions. Overall, there is similarity in terms of the enormous size of transfer on local budgets. In general, the amount of transfer had been increasing markedly between 2000 and 2012. The portions of inter-governmental transfer in Sragen and Solo are 96.8 and 93.5 percent respectively. Using GDP as a denominator, an increasing trend of transfer share is also discernible in these regions. In addition, large parts of the spending went towards administrative expenses that could reach up to 56 percent in Solo and 62 percent in Sragen, as the recent data shows.

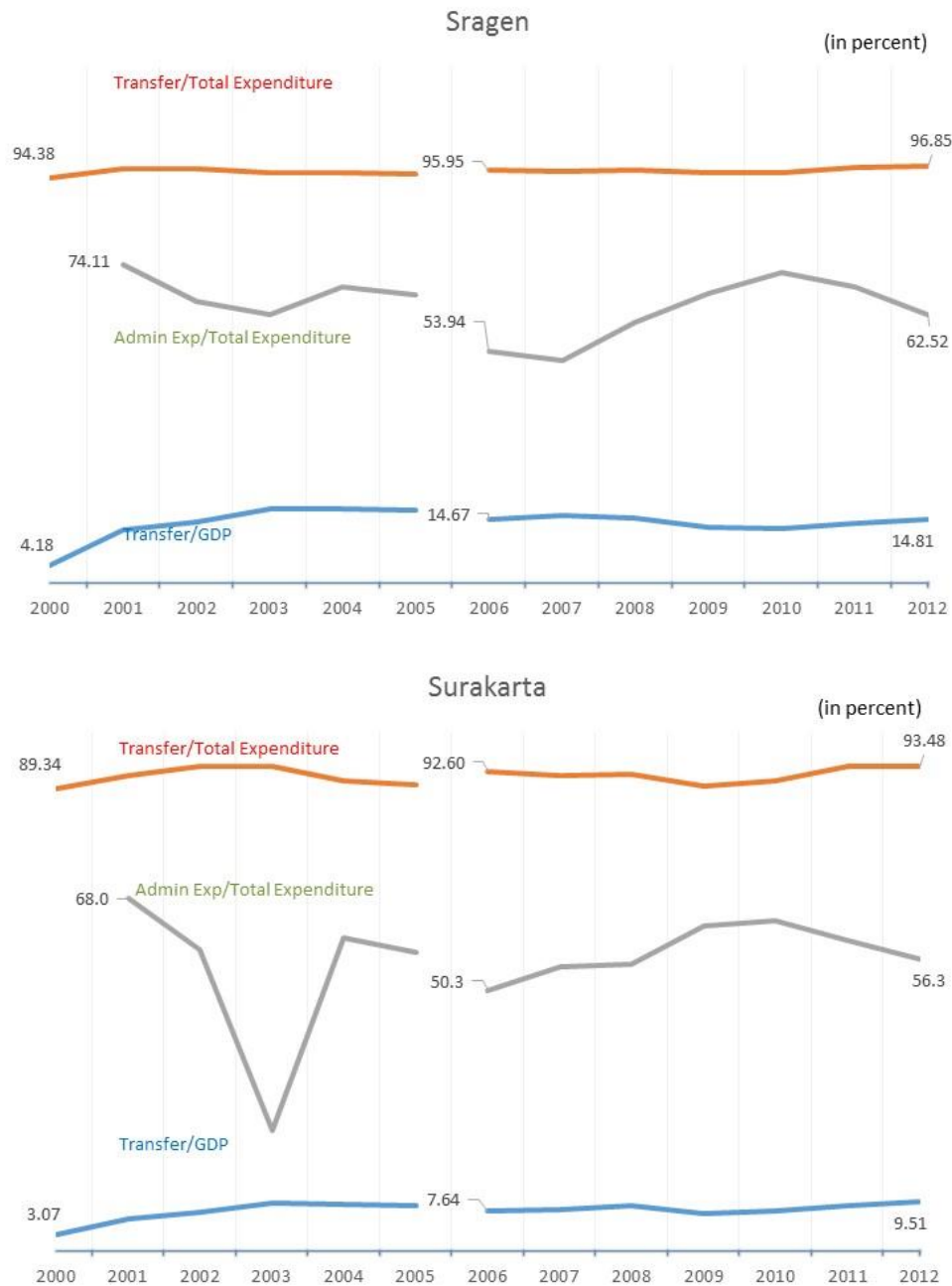


Figure 4.8 Local Revenue and Spending (2000-2012)

Source: BPS Surakarta & BPS Sragen

In sum, these charts relay the fact that both regions actually depended heavily on central government transfer to fund their expenses. In other words, this refers to the type of financial devolution in the country which emphasizes that revenues are collected or administered centrally rather than delegating this task to the local offices. However, these transfers were then used mostly to run the routine activities. This raises further questions about whether spending of local government can

influence real development at the local level. As regular spending dominates the expenses, it can be expected that considerable investments on infrastructure will be difficult to fulfil.

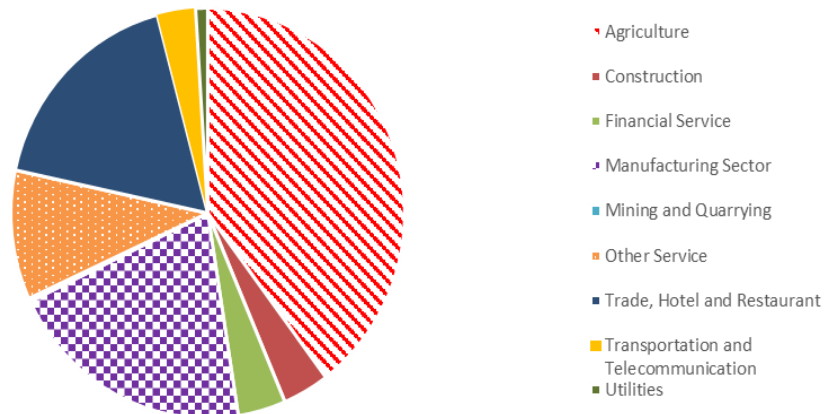
4.7.3 Economic Structure and Economic Growth

As a background to the in-depth analysis for each region, this section details the structure of the economy and its dynamics, which provides estimates on the impact of fiscal decentralisation. In that regard, diagrams below depict shares of the economy in 2000 (period before decentralisation) and in 2014 (after more than a decade of decentralisation). Data are taken from the regional statistics office using constant price with base year on 2010.

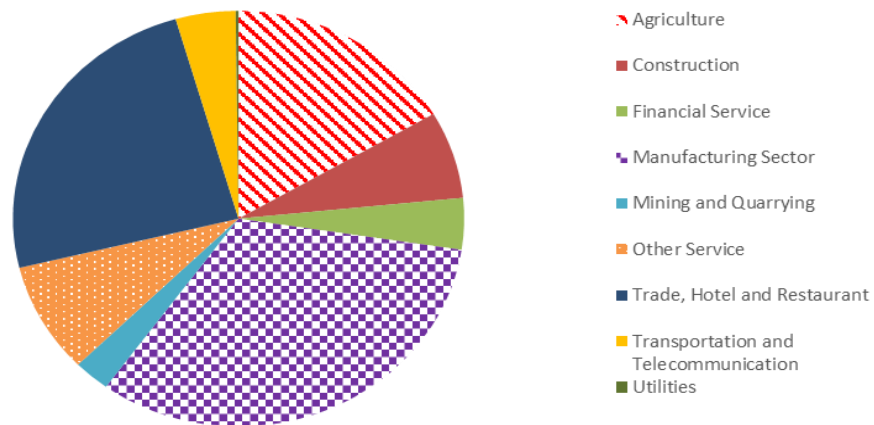
From Figure 6.3, the changes in economic structure are clearly apparent in both Sragen and Surakarta. A notable difference between Sragen and Surakarta is the composition of the local economy. In 2000, agriculture was the predominant sector of the local economy in Sragen (39.8 percent), followed by manufacturing (20.4 percent), and commerce (17.5 percent). Meanwhile in Surakarta, manufacturing is the main economic backbone with 29.6 percent share, followed by commerce (24.8 percent) and construction (11.9 percent). This suggests, as the status as a district in Sragen implies, that economic structure relates to the extent of rural areas in a region. The larger the size of rural areas, the more the contribution of the agriculture sector in an economy. Also, a large agriculture sector is pointing to the large population of informal workers.

In 2014, a different situation is depicted in the lower panel of each region. Arguably, urbanisation is the main factor in transforming local economic structure. For instance, in Sragen, the agriculture sector shrunk to 16.6 percent while manufacturing and commerce sectors increased up to 32.6 percent and 24.3 percent respectively. On the other hand, transformation in Solo is largely reflected by the fast rate of infrastructure development. As the chart below suggests, Solo had experienced a dramatic increase in the construction sector (from 11.9 percent in 2000 to 26 percent in 2014). Gentrification can also be found in Surakarta as indicated by the significant increase of the tertiary industry and the depleting share of the manufacturing sector in the economy.

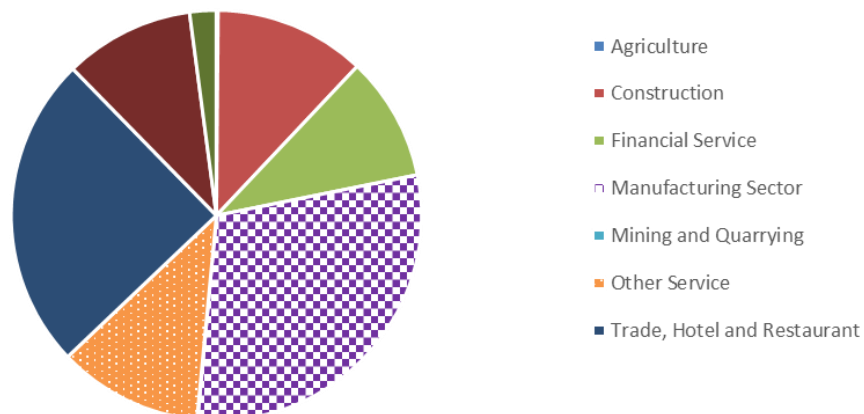
Percentage share of economic structure in Sragen, 2000



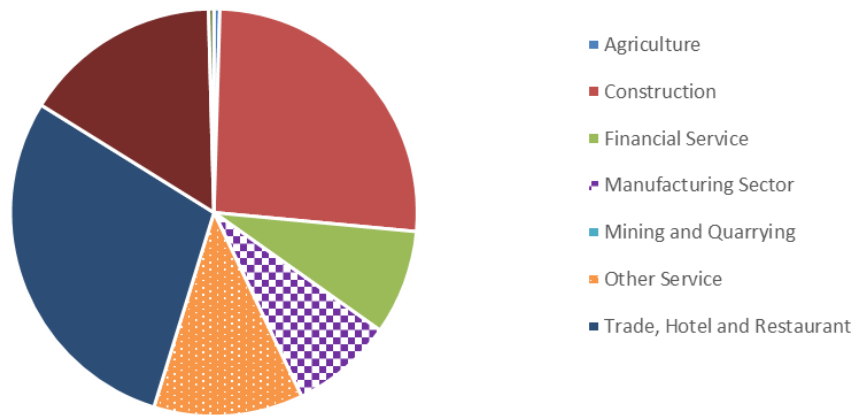
Percentage share of economic structure in Sragen, 2014



Percentage share of economic structure in Surakarta, 2000



Percentage share of economic structure in Surakarta, 2014

**Figure 4.9 Structure of the Economy in Sragen and Surakarta (2000 and 2014)**

Source: BPS Surakarta & BPS Sragen

In addition to the dynamics and differences in economic structure between Sragen and Solo, this section focuses attention on the distribution of local economic growth. Using growth incidence curve graphs, one can identify ‘the winners’ and ‘the losers’ of economic growth during specified periods. The winners can be said to be percentile groups who gain more benefits than the total average of growth while the losers are those who gain less (or no) benefits relative to other groups. By depicting the growth incidence curve (GIC), one can distinguish clearly whether economic growth in a location within certain periods is pro-poor or not.

Figure 6.4 depicts GIC for Sragen (top panel) and Surakarta (bottom panel) comparing two spells of growth incidence distribution by percentile groups. These graphs show that growth distribution amongst percentile groups has changed markedly between 14 years.

Growth in consumption expenditures was generally positive for all percentiles in both regions. However, the lowest 10 percentile group experienced the lowest growth rate, particularly in Sragen, while the top 10 percent group (richest) saw their significant increase in 14 years. During this period, the level of inequalities as measured by the Gini coefficient showed an opposing picture in two regions, increased from 0.28 to 0.35 in Surakarta and decreased from 0.37 to 0.33 in Sragen.

The first spell—1999-2001—is observed in relation to the early years of decentralisation. The second spell (2011-2013) is chosen arbitrarily to relate with the most recent implementation of regional autonomy. From these graphs, it can be inferred that there are clear patterns associated with regions and periods. In early periods of decentralisation, Sragen had shown higher-than-average benefits that were incurred for lower and upper percentiles leaving the middle group gained below average benefit.

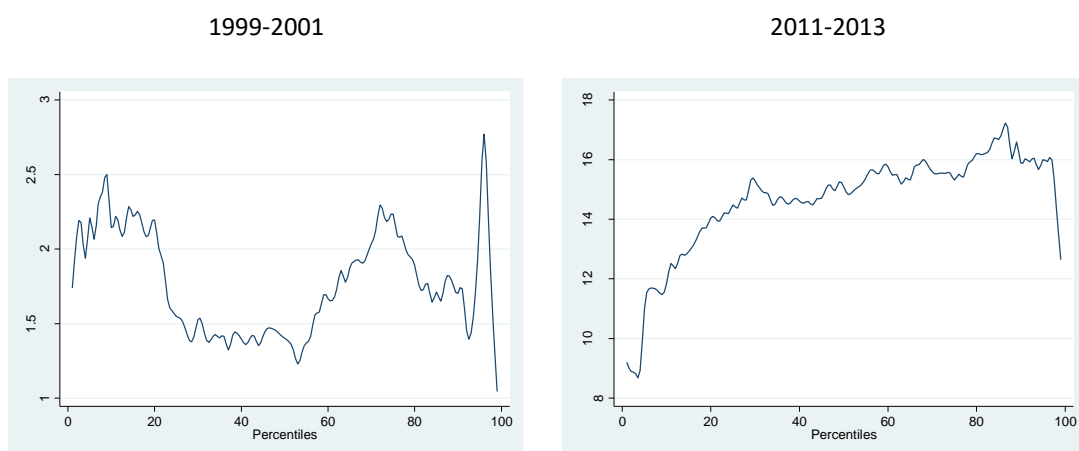
In the same period, Surakarta showed more pro-poor distribution. The lowest 20 percentiles benefited more than the average groups, although the highest 95 seemingly also enjoyed above-average growth.

As shown in the right-hand side panel of Figure 6.4, Sragen in 2011 to 2013 saw that the benefit enjoyed by middle percentiles (lowest 20 to upper 80) had increased significantly compared to the previous period (1999-2001). Meanwhile in Solo, the distribution of growth had seemingly become less pro-poor in a way that the lowest 30 percentile groups had become worse off and the upper 80 managed to reap the benefits more than the other groups.

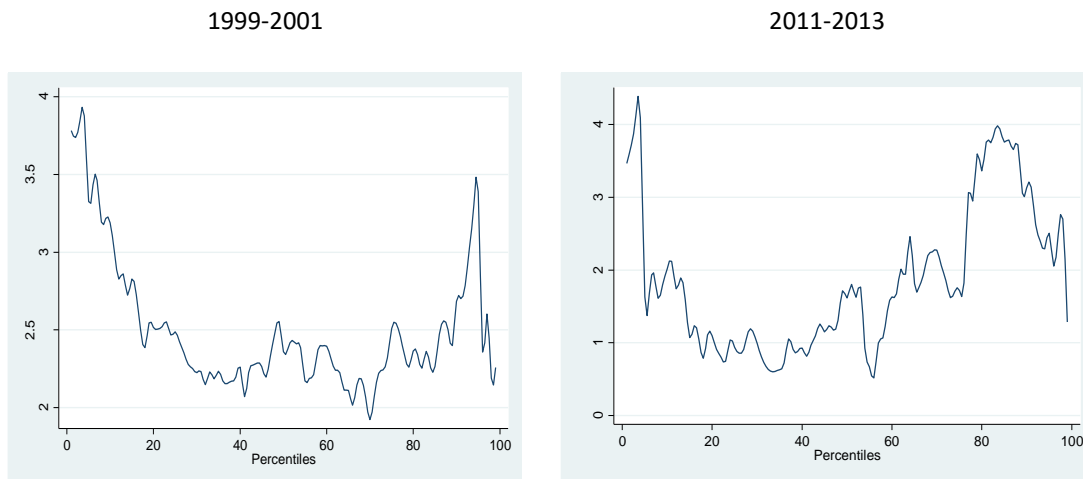
Therefore, pattern of growth distribution had changed rather dramatically, especially in Sragen. These change in Sragen imply that more programmes were targeted more intensely although the lower percentile only enjoyed growth of benefits less than the average. Top percentile groups still managed to grow higher probably due to at least three factors. First is that the errors in targeting which often includes non-poor to receive various benefits of SP programmes. Second, the amount of SP benefit is smaller than the positive growth of the top percentiles. Third is the inception phase of decentralisation implementation was largely translated into preparation stage with administrative costs being the upmost priority (see further in Figure 5.5 in the next chapter).

Larger amounts of devolved funds to regional authorities—as mandated by regulation pertaining to decentralisation—did not seem to trickle down effectively to the lowest percentile. Almost similarly, the World Bank (2016) shows that over a similar period (1996 to 2010), average annual growth in household consumption grew three times faster for the richest households than the poorest ones. Using national data, the finding suggests that the poorest 60 percent of households had consumption growth below the mean, and growth for the poor and vulnerable was close to zero in real terms.

Sragen



Surakarta

**Figure 4.10 Growth Incidence Curve (1999-2013)**

Source: Susenas

4.7.4 Political Landscape

This section discusses the dynamics of the political situation in Sragen and Solo, particularly focusing on the events surrounding local elections in both regions. Situated within the context of emerging and deepening democratisation, local elections (*pilkada*) play a pivotal role in today's political landscape. There are a number of studies on the impact of continuing modification of decentralisation laws on the process of democratisation in Indonesia. Many analysts and commentators have produced differing interpretations of the current situation. Some argue that effects on the implementation of *pilkada* are largely negative, and cause democratic values to deteriorate. On the other hand, those in the optimist camp argue that decentralisation and democratisation can emerge together. It is argued that by allowing the regions (especially at the district level) to have more voice in running their own democratic process, it is intuitively expected that local people would benefit from local government policies. The downside is, however, local election is assumed to lead to increased feelings of ethnocentrism and signs of a growing push for a renewed sense of local identity.

Before the enactment of local direct elections, heads of the region in Solo and Sragen were appointed as an 'assignment' from central government rather than an 'aspiration' of local communities or their representatives. Usually in the past, almost all governors, mayors, and regents have a military background and strong affinity with Golkar (long-reigning institution formed during Suharto's era). Nepotism was inevitably rampant whilst considerable power was reserved almost entirely by presidential office. Hence, top-down authoritarian mechanisms had been firmly in place from the beginning of the New Order (ca. 1967) up to the fall of Suharto (1998).

Before the New Order regime, Solo and Sragen was infamous as the stronghold of the leftist group. In one period, the mayor of Solo was from the Communist party (Utomo Ramelan assumed office from 1958 to 1965). After the failed coup attempt at the end of 1965, the communist influence was eradicated and strong military influence had begun to entrench governance. Sudden change in the political constellation had affected most parts of governance and society. For the next 30 years, Solo and the surrounding vicinity had been completely under the control of the Suharto apparatus leaving only small pockets of areas for opposition groups.

The end of the authoritarian New Order period ushered in deepened democratisation. Introduced in 2005, local direct elections have been the milestone of public participation in local politics. In Solo, the public was highly enthusiastic in welcoming the implementation of the direct election system. With average turn-out rates between 70 to 72 percent for three elections (2005, 2010, and 2015), this meant considerable attention from the public towards their mayoral candidates. Meanwhile in Sragen, the turnout rates were even higher (93.5 to 98.5 percent). It seems that the commencement of democratisation arguably brought about a euphoric atmosphere and increasing role of citizenship. The unexpectedly high turnout rates were in stark contrast with the results of elections for legislatures which for years had shown declining participation (see Chapter 6 on the low confidence in political parties). This can partly explain the relevance of the election process for authorities whom the public believe will handle local issues effectively.

Below are the tables with a summary of direct election results in Surakarta and Sragen from 2005 to 2015. The first noticeable distinction of local elections between two regions is the higher turnout in Sragen with significantly more than twenty point percentage differences. Possibly, the higher rate of democratic participation in rural areas is explained by the awareness of the public but it is also unsurprisingly representing the close-knit relationship which is still strong in villages. Participation in communal events or gatherings is inescapably tied to the social capital that is enshrined in local values, hence the high number of voters. Meanwhile, Solo is characterised by more urban, active, and critical voters who used to abstain (*golongan putih*) during many elections in the New Order era as manifestations of civic 'disobedience' against the authoritarian ruling government.

Table 4.5 Result of Mayoral Direct Election in Surakarta 2005

Candidates	Supporting Parties	Votes	%
Joko Widodo–F.X. Hadi Rudyatmo	PDIP	99,747	36.62%
Achmad Purnomo-Istar Yuliadi	PAN	79,213	29.08%
Hardono-Dipokusumo	Golkar, Demokrat, PKS	78,989	29.00%
Slamet Suryanto-Hengky Nartosabdo (incumbent)	Small parties coalition	14,414	5.29%

Candidates	Supporting Parties	Votes	%
Void/did not vote		104,248	
Valid votes		272,363	72.30%
Registered voters		376,611	

Table 4.6 Result of Mayoral Direct Election in Surakarta 2010

Candidates	Supporting Parties	Votes	%
Joko Widodo–F.X. Hadi Rudyatmo (incumbent)	PDIP, PKS, PAN, Gerindra, PDS	248,243	90.09%
Achmad Purnomo-Istar Yuliadi	Demokrat, Golkar, Hanura	27,306	9.91%
Void		7,140	
Did not vote		111,014	
Valid votes		275,549	70.00%
Registered voters		393,703	

Table 4.7 Result of Mayoral Direct Election in Surakarta 2015

Candidates	Supporting Parties	Votes	%
Anung Indro Susanto–Muhammad Fajri	PKS, PAN, Partai Gerindra, and Partai Demokrat	111,462	39,61%
F.X. Hadi Rudyatmo–Achmad Purnomo (incumbent)	PDIP	169,902	60,39%
Void		103,989	
Did not vote		12,773	
Valid votes		281,364	70.70%
Registered voters		398,126	

Source: Election Commission Surakarta

Table 4.8 Result of Regency Direct Election in Sragen 2006

Candidates	Supporting Parties	Votes	%
Untung S. Wiyono - Agus Fatchur Rahman (incumbent)	PDIP and Golkar	365,539	80.71%
Inggus Subaryanto - Mahmudi Tohpati	Partai Demokrat, PAN, and PPP	57,344	12.66%
Void/did not vote		31,704	
Valid votes		452,883	93.50%
Registered voters		484,587	

Table 4.9 Result of Regency Direct Election in Sragen 2011

Candidates	Supporting Parties	Votes	%
Wiyono-Dariyanto	Gerindra, PPRN, and 16 small parties	11,603	2.21%
Sularno-Kushardjono	independent	5,100	0.97%
Danang Wijaya-Sumiyarno	independent	10,146	1.94%
Kusdinar Untung Yuni Sukowati-Darmawan Minto Basuki	PDIP, Partai Demokrat, PKS, PKB, and PR	231,844	44.22%
Agus Fatchur Rahman-Daryanto (incumbent)	Golkar, PAN, and PPP	265,648	50.66%
Void/did not vote		9,639	
Valid votes		524,341	98.20%
Registered voters		533,980	

Table 4.10 Result of Regency Direct Election in Sragen 2015

Candidates	Supporting Parties	Votes	%
Sugiyanto-Joko Saptono	PDI P and Demokrat	58,616	14.34%
Agus Fatchur Rahman-Djoko Suprpto (incumbent)	Golkar and Hanura	147,705	36.13%
Kusdinar Untung Yuni Sukowati-Dedy Endriyatno	Gerindra and PKS	169,777	41.53%
Jaka Sumanta-Surojogo	PKB and PAN	32,699	8.00%
Void/did not vote		6,054	
Valid votes		408,797	98.50%
Registered voters		414,851	

Source: Election Commission Sragen

The first direct election in Solo (2005) resulted in tough rivalry between candidates from PDI-P (Joko Widodo), PAN (Achmad Purnomo), and Golkar (Hardono). This represents the long-running struggle between nationalist versus religious influence in the town. For long, Surakarta had been controlled by a military and centralist view and in 2005 new political players were presented with an opportunity to break the cycle. Jokowi won the first mayoral election with only 7 percent difference against the toughest contender but he effectively managed to hold on to his authority in the next five years. In 2010, the constellation of the coalition had changed drastically following the rising popularity of Jokowi. At least five political parties had formed a strong coalition to renominate Jokowi for the 2010-2015 term. The result was predictable but still it was surprising to many as it recorded the highest landslide victory in local direct elections (90.09%). Undoubtedly, this magnificent outcome was the

backdrop of a further story on the nomination of Jokowi in the Jakarta gubernatorial election in 2012. Something different occurred in 2015 when Jokowi had already won the presidential election the year before. This time, the incumbent struggled to secure the required vote although this was not as tough as in the 2005 election.

In Sragen, the story on direct elections from 2006 to 2015 presents a dynamic twist in local politics. The very first election in 2006 was quite predictable, in the way that the two biggest political parties (i.e. PDI-P and Golkar, both are nationalist parties) had joined forces and nominated the incumbent pair (Untung and Agus) who was previously elected as Regent (*Bupati*) and Vice Regent (*Wakil Bupati*) during the transition period (in 2001-2006 when indirect election was still practiced). Not surprising, Untung managed to win the first contest with a landslide victory. The second direct election in 2011 shows the highest number of participating candidates. Five tickets competed, with two amongst them being of independent nomination. Yet, only candidates with the support of resourceful and established political parties managed to garner the most votes. Untung's daughter, Yuni (backed by PDI-P and other large parties) had an unsuccessful venture in her first election. It was Untung's former running mate, Agus Fatchurrachman, who eventually managed to win his third election, this time as Regent. The most recent election that was ideally set in 2016 had been conducted earlier to support the government's plan to hold 'simultaneous' *pilkada*.¹¹ The 2015 election once again involved fierce competition among candidates with four tickets competing. The incumbent paired with a new running mate while Untung's daughter left her main supporting party (PDI-P) to form a new coalition with Gerindra (nationalist) and PKS (Islamist) parties. This manoeuvre was surprisingly effective in mobilising constituents and eventually secured the winning votes.

4.8 Reflection on Limitations

The key limitation of the qualitative method with small sample size is that it is not possible to claim that these results are nationally or regionally representative. However, it should be noted that there are equally no strong reasons to believe that findings, particularly on broad lessons about which it is possible to generalise across most of the 3 sites, should not apply to comparable locations in Indonesia.

It should also be noted that elite interviews are not a panacea and have their own limitations and weaknesses. As George and Bennett (2005) highlight in relation to evidence more generally, researchers need to critically assess and weigh the value of collected data, recognising the pitfalls that

¹¹ Simultaneous election (which started gradually from 2015 and is expected to be complete in 2027) is simply intended to eliminate the common practice of renomination in different places for candidates after failing in a region.

may limit its usefulness along with its benefits. Thus, the interviewer must constantly be aware that the information the interviewee is supplying, can often be of a highly subjective nature. While in many circumstances interviews can compensate for the distortions that exist in written sources, it is also sometimes the case that interviewees misrepresent their own positions in ways that raise questions over the reliability of their statements. In particular, politicians may attempt to modify their accounts and inflate or minimise their own role in an event or process depending on whether there is political capital to be gained or lost.

PART IV RESULTS

Chapter Five: Macro-Quantitative Analysis

5.1 Introduction

Before exploring further, it is important to look at an overview of the quantitative data on the relationship between social welfare development, decentralisation, and democratisation across regions. This is to provide a general picture of the policy context and its impact within society.

As reiterated in previous chapters, Indonesia has undertaken decentralisation and it is considered as a policy with the most profound impact. However, one question remains: how effective was Indonesia in developing districts during the decentralisation period? In the first decade of the decentralisation period, from 2001–2010, Indonesia's GDP grew at an average annual rate of only 5.4 per cent. This was significantly slower than during 1990–1996 when Indonesia's GDP had grown at an average rate of more than 7 per cent per year.

A wide body of literature shows that corruption, lack of resources, and other problems have impeded local governments from fully realising their potentials. Currently, regulations on reforms are still a work in progress. Improvement on coordination between the central and local government has been taking place. In the meantime, it appears that while several regions have demonstrated success, the majority are still struggling to mitigate poverty and inequality (see for details Miranti et al., 2013; Yusuf et al., 2014).

Although decentralisation has divided tasks and responsibilities between central and regional governments, high reliance upon certain programmes is still discernible. In a similar vein, Brodjonegoro and Asanuma (2000) offer a similar analysis. They argue that despite the new authority that local level government will acquire under Law No. 22 Year 1999 (later revised into Law No. 32 Year 2004), regional autonomy still 'misses the point' (p. 118). Ultimately the central government retains too much power and control over decision making.

As a corollary of democratisation, direct elections have played a significant role in shaping public policy. Reiterated by Aspinall (2014) and Rosser and Wilson (2012) in their studies at the district level in Indonesia, candidates during election seasons tend to utilise SP and entitlement policy as a primary means to garner votes during the campaign. In hindsight, Jokowi's success stories in Solo and Jakarta, which ultimately brings him into the presidential seat in 2014 also involved the expansion of SP programmes during his tenure (Mietzner, 2014). This leads us another follow-up question on how

effective is SP for attracting potential votes, as well as being an instrument to improve social welfare, in the context of overlapping functions of different levels of government.

5.2 Regional Analysis: Before and After Decentralisation

Tables 5.1 – 5.3 provide typological analysis on important indicators i.e. regional gross domestic product (RGDP), economic growth, and Human Development Index (HDI) for provinces. Development progress at the provincial levels seems to show modest changes for pre- and post- decentralisation periods. Certain regions such as Jakarta, Aceh, and Papua often have high income per capita whilst only a few regions can attain a high welfare level. Although such a typology might not necessarily show the proper context,¹² it exhibits to some extent the fact that decentralisation seems to have neither greatly improved social development nor led to significant slowing.

Table 5.1 Regional Typology

Average National Economic Growth

Quadrant IV – GRDPpc < GDPpc Av. Reg. Ec. Growth > Av. Nat. Ec. Growth	Quadrant I – GRDPpc > GDPpc Av. Reg. Ec. Growth > Av. Nat. Ec. Growth
Quadrant III – GRDPpc < GDPpc Av. Reg. Ec. Growth < Av. Nat. Ec. Growth	Quadrant II – GRDPpc > GDPpc Av. Reg. Ec. Growth < Av. Nat. Ec. Growth

Human Development Index

Quadrant IV – GRDPpc < GDPpc HDI _i > HDI _{nat}	Quadrant I – GRDPpc > GDPpc HDI _i > HDI _{nat}
Quadrant III – GRDPpc < GDPpc HDI _i < HDI _{nat}	Quadrant II – GRDPpc > GDPpc HDI _i < HDI _{nat}

Nonetheless, there is some initial evidence that decentralisation does not significantly increase social welfare. Although district governments have been allocated large funds and considerable authority to initiate welfare programmes, it appears from Table 5.2 to Table 5.3 that only a few regions with sufficient local budget and capability makes use of this potential e.g. Jakarta, Riau and Kalimantan Timur. These districts to some degree have similar characteristics in terms of local revenue. Whilst Riau and Kalimantan Timur are endowed with a large share of natural resources, Jakarta has been the centre of almost every business activity.

¹² Central to the feature of decentralisation in Indonesia is that most government functions are devolved to ‘tier-2’ local governments i.e. districts and cities, which therefore creates arm’s-length relationships with the provincial authority.

Table 5.2 Classification of Regions based on Income per Capita and Economic Growth**1983-1999**

	Income per capita		
	(2000 constant)		
	Low (<IDR 2,051,206)		High (>=IDR 2,051,206)
GDP growth (2000 constant)	High (>12.77%)	Bali, DI Yogyakarta, Jambi, Jawa Barat, Jawa Tengah, Jawa Timur, Kalimantan Barat, Kalimantan Selatan, Kalimantan Tengah, Lampung, Nusa Tenggara Barat, Nusa Tenggara Timur, Sulawesi Selatan, Sulawesi Tengah, Sulawesi Tenggara, Sulawesi Utara, Sumatera Barat, Sumatera Utara	DKI Jakarta, Papua
	Low (<12.77%)	Bengkulu, Maluku, Sumatera Selatan	Aceh, Kalimantan Timur, Riau

2000-2010

	Income per capita		
	(2000 constant)		
	Low (<IDR 13,420,407)		High (>=IDR 13,420,407)
GDP growth (2000 constant)	High (>10.46%)	Bengkulu, DI Yogyakarta, Gorontalo, Jambi, Jawa Barat, Jawa Tengah, Jawa Timur, Kalimantan Tengah, Kepulauan Bangka Belitung, Lampung, Sulawesi Barat, Sulawesi Selatan, Sulawesi Tengah, Sulawesi Tenggara, Sumatera Barat, Sumatera Selatan, Sumatera Utara	DKI Jakarta, Papua Barat
	Low (<10.46%)	Bali, Banten, Kalimantan Barat, Kalimantan Selatan, Maluku Utara, Maluku, Nusa Tenggara Barat, Nusa Tenggara Timur, Sulawesi Utara	Aceh, Kalimantan Timur, Kepulauan Riau, Papua, Riau

Table 5.3 Classification of Regions based on Income per Capita and HDI**1999**

	Income per capita (2000 constant)		
	Low (<IDR 13,420,407)		High (>=IDR 13,420,407)
GDP growth (2000 constant)	High (>10.46%)	Bengkulu, DI Yogyakarta, Gorontalo, Jambi, Jawa Barat, Jawa Tengah, Jawa Timur, Kalimantan Tengah, Kepulauan Bangka Belitung, Lampung, Sulawesi Barat, Sulawesi Selatan, Sulawesi Tengah, Sulawesi Tenggara, Sumatera Barat, Sumatera Selatan, Sumatera Utara	DKI Jakarta, Papua Barat
	Low (<10.46%)	Bali, Banten, Kalimantan Barat, Kalimantan Selatan, Maluku Utara, Maluku, Nusa Tenggara Barat, Nusa Tenggara Timur, Sulawesi Utara	Aceh, Kalimantan Timur, Kepulauan Riau, Papua, Riau

2011

	Income per capita (2000 constant)		
	Low (<IDR 22,197,628)		High (>=IDR 22,197,628)
HDI (national, 2011)	High (>72.77)	Bali, Bengkulu, DI Yogyakarta, Jambi, Jawa Tengah, Kalimantan Tengah, Bangka Belitung, Sulawesi Utara	DKI Jakarta, Kalimantan Timur, Kepulauan Riau, Riau
	Low (<72.77)	Banten, Gorontalo, Jawa Barat, Kalimantan Barat, Kalimantan Selatan, Lampung, Maluku Utara, Maluku, Nusa Tenggara Barat, Nusa Tenggara Timur, Sulawesi Barat, Sulawesi Selatan, Sulawesi Tengah, Sulawesi Tenggara, Sumatera Barat, Sumatera Utara, Sumatera Selatan, Sumatera Utara	Aceh, Papua Barat, Papua

Tables 5.1 - 5.3 gives a glimpse of the impact of decentralisation, suggesting that it hardly improves public welfare and supporting the notion that virtues such as economic efficiency, accountability, and resource mobilisation are unlikely to be achieved. The situation occurs largely in the context of regions where citizen preferences are not fully translated into budget outcomes and the institutional capacity of existing subnational agencies is close to zero. Related to this is the fact that poor service delivery still persists. In this regard, Lewis (2014a) argues that poor services are attributed to the lack of downward accountability of local governments towards their constituents, deficiencies in local government planning and financial management. Using this perspective, decentralisation in Indonesia seems likely to result in increased costs, lessened efficiency in service delivery, and probably greater inequity.

5.2.1 Reducing the Confounding Effects of Decentralisation and Other Factors on SP

Although the process of fiscal decentralisation might be considered successful, it is still difficult to judge whether the process has been accomplished or not. According to Brodjonegoro (2009), the inter-governmental transfer scheme is still far from optimal due to heavy political interferences in the formulation of intergovernmental transfers comprising general purpose grant (*Dana Alokasi Umum*, DAU), special allocation fund (*Dana Alokasi Khusus*, DAK), natural resource revenue sharing, and tax revenue sharing.

In most local governments, DAU is basically their operational day-to-day budget since its role is very dominant in the local budget. The heavy dependence on DAU creates disincentives for local governments in raising the collection of the locality's own revenue (*pendapatan asli daerah*, PAD). Brodjonegoro and Vazquez (2005) also reveal the significant negative correlation between the size of DAU and PAD.

The allocation of DAU is still full of political influence as indicated by the 'hold-harmless' provision that guarantees that every local government receives a grant not less than the allocation of the previous fiscal year. This is clearly detrimental to the purpose of equalising fiscal capacity. While DAU becomes the centre of attention for most local governments, another serious issue in local finance, the locality's own revenue, seems to be neglected. Current regulations obviously do not give significant local taxation power since Indonesian decentralisation was designed to be expenditure-led decentralisation financed by fund transfers (comprising mainly DAU and DAK).

The weak local taxation power has another negative implication regarding the local climate of investment. Since most local governments realise that the amount of transfer is far from enough to fulfil their needs as a result of slow economic recovery, and at the same time they do not have

alternatives to existing local taxes and charges, they are trying to find other sources that unfortunately are illegal and disruptive. Imposing new charges, levies or fees has become the favourite tools for local governments to generate additional revenue and ensure a stable management of cash-flow. The easiest targets for those new additional revenues are unfortunately the local businesses that seem to be powerless in that situation.

According to Lewis (2014a), not only does the fiscal distribution cause problems, but he argues further that an alternative explanation for poor service delivery outcomes would focus on the lack of accountability of local governments towards their constituents. Accountability in this context actually comprises two separate dimensions: an appeal to citizens for improvements in service quality, and a response by local governments to meet constituents' demands. Appeals from citizens implicitly presuppose the existence of some reasonable measure of dissatisfaction with the status quo. The prevailing view is that local public service delivery has improved little since decentralisation began, despite the substantial transfer of funds to local governments to discharge their new-found responsibilities.

5.2.2 A Brief Overview of SP Programmes: Before and After Decentralisation

In general, SP in Indonesia has evolved from a very small initiative in its early years to privileging formal sector workers during the New Order period, to universal coverage in the current period. These changes were in line with and driven by the developments of the Indonesian economy in general, which has gone through various episodes marked by both booms and crises.

Putting this in the context of decentralisation, more actors come into play with the diverse nature of SP in every region. However, it appears that the role of local governments has not yet been clarified. For example, the numbers of locally-initiated health insurance schemes without single umbrella regulations has multiplied regulations and none of these allow for portable access. In fact, the Law on National Social Security Carriers or *Badan Penyelenggara Jaminan Sosial* (BPJS), which was stipulated in 2011, does not clearly mention the roles and responsibilities of ongoing local health insurance. These local health insurance schemes, which have variations in benefit packages and reflect partly the fiscal capacity and preferences of local governments, may pose a particular challenge with regard to harmonisation and integration of universal coverage efforts.

Until now, local governments feel that they have not been informed appropriately on the progress of the universal health coverage plan, what roles they would have after universal coverage is implemented, and what they have to do with their ongoing local health insurance. Some local governments have even sued the central government to the Constitutional Court just after the SJSN

Law was enacted in 2004 because they believed that the law violates the Decentralisation Law, particularly on the roles of the local government in the health sector (Wisnu, 2013).

5.2.3 Comparing Changes in Social Welfare between the Period Before and After Decentralisation

Previously (in Sections 2.3 and 2.4), the evolution of SP happened in two different periods. This discussion then attempted to analyse the impact of those changes based on secondary sources using quantitative methods. In that way, it is expected that we have the general overview of this dynamic.

5.2.4 Cluster Analysis Based on Local Government Spending

As explained in the previous chapters, decentralisation in Indonesia features heavily the role of transfer from central to local government. This type of fiscal decentralisation means that the administration of revenue is largely retained by central government. However, the current formula of intergovernmental transfer from the Ministry of Finance (MoF) and the existing classifications of lagged regions from the Ministry of Village, Disadvantaged Regions, and Transmigration (MoVDRAT) are arguably leaning towards the domination of finance and economic indicators such as regional GDP, local revenues, and spendings (Dalimunthe, 2013; Government of Indonesia, 2015). Although several variables reflecting demography and the size of regions are also considered, these seem to neglect other variables like social welfare (i.e. education, health, poverty, inequality.)

The classification of lagged regions from MoVDRAT is used to determine the amount of additional funding to complement the intergovernmental transfer from MoF within the framework of decentralised administration. In the earlier part of this thesis, most of the poor remain in the most developed island, Java, while Eastern Indonesia with its lagged development has been the host of the poor in terms of population proportion. Not surprisingly, the transfers based on these classifications have not led to the progress of development indicated by worsening inter-island disparity and stagnant poverty reduction at the local level (B. Lewis, 2013).

The location of poverty is changing dramatically in Indonesia. The distribution pattern appears consistent with the most recent global finding: that only a quarter of the world's extreme poor, by income and multidimensional poverty measures, live in countries classified by the World Bank as low income countries (see details in Alkire, Roche, Santos, & Seth, 2011; Sumner, 2012) while most of the poor inhabit emerging lower-middle income countries

The finding at the global level is seemingly echoed in Indonesia with the prevalence of poverty incidence and vulnerability population that is moving away from the poorest provinces or districts, at

least from those defined as low income regions, or lagging regions, by MoVDRAT. Regions do not suddenly change when they cross arbitrary thresholds, be they standards of income per capita or structural characteristics. However, the central government does treat regions differently if they are not categorised as backward or lagging. For example, in April 2015, MoVDRAT officially lodged a request to review criteria for deciding the lagging regions, in order to add the number of regions currently receiving an additional budget for development acceleration.

From the above finding, this section aims to build new classification of regions using variables which encompass broader aspects of development. Arguably, categorisation of regions using income levels has been called into question by changing patterns of poverty locations (Daimon, 2001). Therefore, this paradox of 'emerging regions' and the incidence of poverty raises a question as to whether the current classifications remain useful for policymaking and analytical purposes. In response, this part of the thesis proposes and attempts to operationalise an alternative taxonomy for classifying regions.

5.2.4.1 Frames and normative considerations

In order to capture the progress a wider notion of 'development' in the regions, cluster analysis is used in this study. Therefore, in attempt to identify the types of districts using alternative perspective, I compile a set of indicators covering different types of definitions of development which encompasses four conceptual frames: development as structural transformation; development as human development; development as good governance; and development as sustainability.

5.2.4.2 Indicators

The measurement of human development and structural change has been discussed extensively in the academic literature. The earliest conceptual frame of 'development' is defined as structural transformation as pioneered by Lewis (1954), Prebisch (1950), Singer (1950), Myrdal (1968), and Seers (1963). Their works revolve around the special characteristics of developing countries which experienced transformation or shifts in resources to higher productivity, usually from agriculture to manufacturing and services. This phenomenon is largely summarised in the neoclassical growth model (Solow, 1956). Meanwhile, the assessment of 'governance' and 'local autonomy' in the academic discourse has not seemed matured yet.

The second conceptual frame of development here in this study refers to human development which, according to Seers (1969), has led to the shifts in the concept of development from conventional measures such as GDP per capita to essential 'basic needs'. Many attempts to determine basic needs were previously undertaken by other development economists (among others, see Hicks & Streeten, 1979; International Labour Organization, 1976; Streeten, 1984) which culminated in the work of Sen (1999) whose profound contribution helped shaping the new approach to defining development. In

this study, to measure human development, I use population, poverty rates (\$1.5 a day poverty headcount), health (morbidity rate), and education (net enrolment ratio for primary, junior, and senior high school).

The third conceptual frame is ‘development’ as improved governance. Following Sen (1987), it is clear that access to governance structures has both intrinsic and instrumental value for citizens and for the poor in particular. Definitions of governance have evolved from normative recommendations (rule of law, rights, anti-corruption, electoral democracy) to abstract concepts such as citizenship, participation, and representation. Many scholars have attempted to define governance such as Graham, Amos, and Plumptre (2003) and Hyden, Court, and Mease (2003). To translate these concepts of governance-related development, this study attempts to measure development as better governance by using indicators from the Supreme Audit Board (*Badan Pemeriksa Keuangan*, BPK) that are commonly used in governance-related research, e.g. auditor’s report to the financial statements of local budget.

Finally, the fourth frame of ‘development’ in this study refers to the local autonomy. Literature on this topic emerged in the 1990s and mostly discusses the impact of devolved authority on local development. Majority of these studies focus on decentralisation’s effects on public sector outputs, such as investment levels, public service provision, education and health indicators, and macroeconomic stability, to name a few of the larger threads. Valuable studies summarising this research can be found in Rondinelli, Cheema, and Nellis (1983), Manor (1999), Treisman (2007), and Faguet (2012). Comparatively few studies investigate decentralisation’s effects on the quality of governance; some exceptions include Bardhan (2002), de Mello and Barenstein (2001), and Oxhorn, Tulchin, and Selee (2004).

Table 5.4 Development Dimensions/Concepts and Data Used

Development dimensions/conceptions	Sub-dimensions	Proxies	Sources
I. Development as economic growth	1.1. Purchasing power	RGDP per capita	World Bank (2015)
	1.2. Structural change	GDP in non-agricultural sectors (% of GDP)	World Bank (2015)
	1.3. Dependency on natural resources	GDP in non-oil sectors (% of GDP)	World Bank (2015)
II. Development as human development	2.1. Population	Population	World Bank (2015)

Development dimensions/conceptions	Sub-dimensions	Proxies	Sources
	2.2. Poverty	Poverty rate	World Bank (2015)
	2.3. Health	Morbidity rate	World Bank (2015)
	2.4. Education	Net enrolment ratio – primary	World Bank (2015)
		Net enrolment ratio – junior secondary	World Bank (2015)
		Net enrolment ratio – senior	World Bank (2015)
III. Development as good local governance	3.1. Transparency	Auditor’s report on local budget	Supreme Audit Board (2014)
IV. Development as local autonomy	4.1. Local economic capacity	Local government revenue	World Bank (2015)
		Local government expenditure	World Bank (2015)
	4.2. Social welfare	Social protection expenditure	World Bank (2015)
	4.3. Economy	Economic expenditure	World Bank (2015)
	4.4. Education	Education expenditure	World Bank (2015)
	4.5. Health	Health expenditure	World Bank (2015)
	4.6. Infrastructure	Infrastructure expenditure	World Bank (2015)

5.2.4.3 Method and limitations

This section explains the background for using cluster analysis, a numerical technique for classifying a sample of heterogeneous districts in a limited number of groups, each of which is internally homogeneous in terms of the similarities between the districts that comprise it. Mainly, the result of cluster analysis will build upon the selection of sample locations.

The aim of the cluster analysis in this study is basically to provide classifications that meet the following criteria i.e. 'objective' and 'stable' (Everitt et al., 2011). Objective means that the analysis of the same set of districts using similar numerical methods produces similar classification; and stable refers to the classification that remains similar when new districts or new characteristics describing them are factored in.

Particularly relevant to this study, hierarchical cluster analysis is used to build a taxonomy of districts with various levels of development in order to divide them into a number of distinguishable groups so that: (i) each district belongs to only one group; (ii) every district belongs to a group; (iii) districts of the same group share 'homogeneous' characteristics; and (iv) districts of different groups are noticeably different. This procedure allows one to recognise the attributes between districts, which facilitate the identification of the development characteristics of each cluster.

With 14 continuous variables, Ward's method (1963) is chosen in this study. Using this method, the fusion of two clusters is based on the size of an error sum-of-squares criterion. The purpose of this method is to minimise the increase in the total within-cluster error sum of squares. The Ward's method has been considered practical and proven to be suitable for building clusters with similar sizes (Everitt et al., 2011; Hands & Everitt, 1987; Mooi & Sarstedt, 2011).

Nevertheless, cluster analysis also poses difficulties for the classification of districts. Nielsen (2013) points to two difficulties: first, if the values of the development indicators are evenly distributed across districts, the analysis is not able to distinguish groups, even though there may be important differences between the indicators for each district.

5.2.4.4 Statistical procedure and main results

In order to undertake the clustering process, the variables in the analysis must be examined to detect the presence of collinearity. The 14 variables in the analysis are treated as proxies for different development dimensions, therefore highly correlated variables are not uncommon. As a result, correlation matrix ([Appendix C-1](#)) shows four variables (i.e. health expenditure, education expenditure, infrastructure expenditure, and total local expenditure) that have a high correlation coefficient (over 0.9) which indicate possible collinearity. However, we choose to keep all indicators with in order to observe the relationships between variables in a bigger picture.

The scree plot (Figure 5.1) depicts the combination of cluster at each stage and the distances at which these clusters merge. In the context of this study, this step is to determine the optimum number of district groups. Eigenvalues threshold shows that four district clusters of development are possibly appropriate. The scree plot clearly depicts a distinct break or 'elbow'. This indicates a possible additional combination of two clusters. The number of clusters prior to the merger is the most probable solution. In this way, and despite the high number of districts included in the graph, the scree plot shows a distinct break due to the increase in distance when switching from a three to a four-cluster solution.

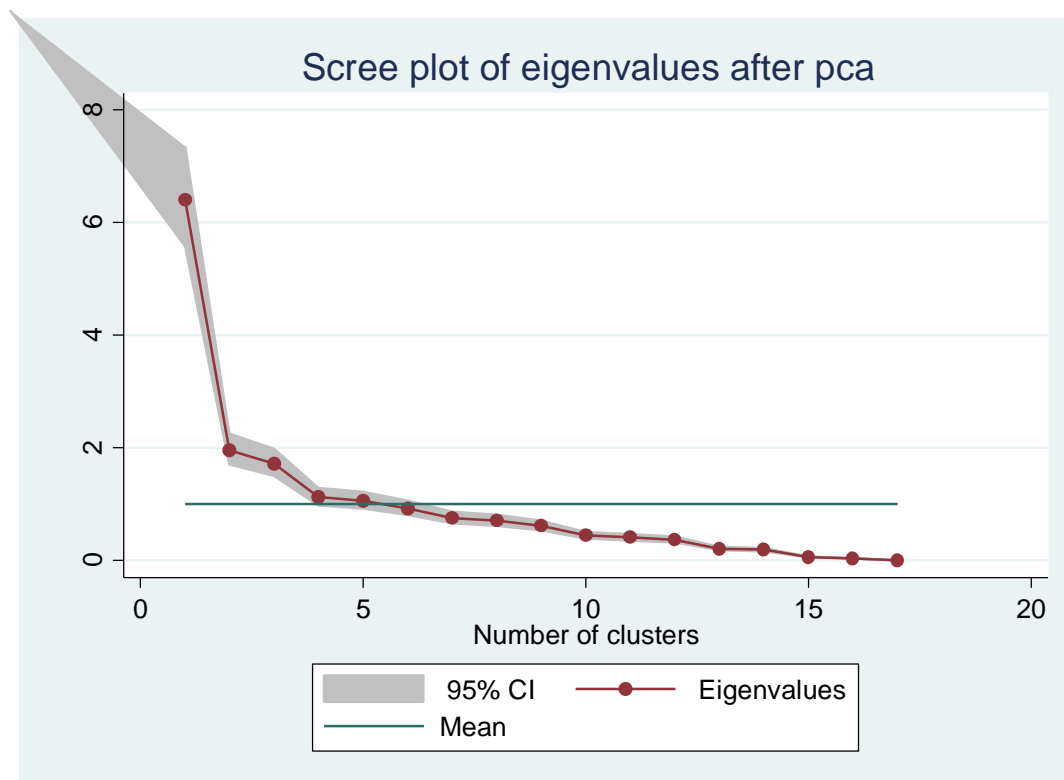


Figure 5.1 Scree plot

Analysis on scree plot to determine the number of clusters is followed by examination of dendrogram Figure 5.2 which exhibits the distances at which districts (and clusters of districts) are joined. The direction for reading this dendrogram is from left to right where vertical lines represent districts joined together. The positions of these lines indicate the distance at which the mergers take place. This graph provides rough guidance in defining the number of groups. The elbow of the dendrogram indicates the number of possible groupings pointing to two to four-cluster solutions.

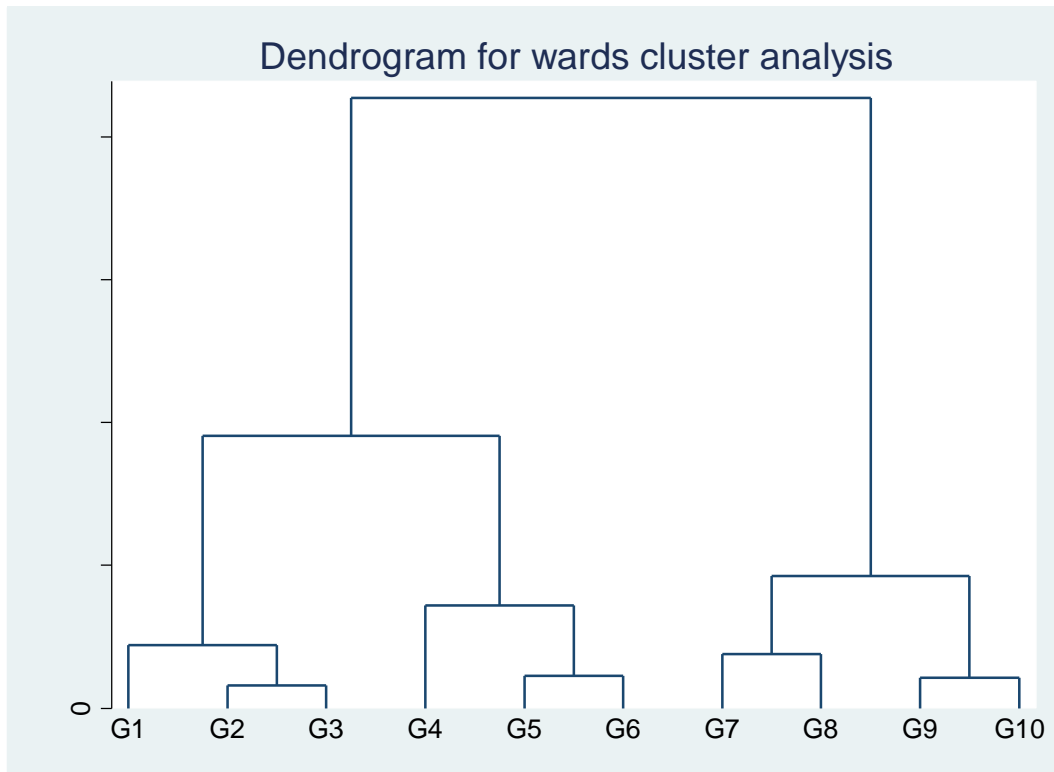


Figure 5.2 Dendrogram

The results of scree plot and dendrogram can be further examined using the 'variance ratio criterion' (VRC). By using VRC, the ideal number of clusters is the one that maximises the ratio between the overall between-cluster variation and the overall within-cluster variation for all clustering variables. A more precise and objective method for determining the optimum number of clusters was proposed by Calinski and Harabasz (1974), which has proven to work well in many situations (Milligan & Cooper, 1985). The VRC recommends choosing the number of clusters that maximises the ratio between the overall between-cluster variation and the overall within-cluster variation with regard to all clustering variables (i.e. good clustering yields groups of countries with small within-cluster variation but high between-cluster variation). As shown in Table 5.6, the suggested number of clusters is four. Therefore, using the three procedures (the scree plot, the dendrogram, and the VRC), it suggests that the optimum number of clusters to be four.

Table 5.5 Variance Ratio Criterion

Calinski/Number of clusters	Harabasz pseudo-F
2	733.47
3	562.61
4	969.48
5	944.79
6	816.27
7	881.11
8	821.65
9	2219.12
10	2122.58
11	3375.87
12	3236.89
13	3331.83
14	3553.28
15	3525.59

As an important prerequisite before comparing each cluster is the identification of variables. This is in order to find the influence of each variable in discriminating between districts. This step is necessary to investigate whether the groups of districts are statistically distinguishable. Simple analysis of variance (ANOVA) is employed to verify the significance of differences between clusters. Therefore, I perform one-way ANOVA to calculate the cluster centroids and compare the differences. The result ([Appendix C-2](#)) shows that 12 out of 14 variables are statistically significant. The indicator referring to the relevance of variables is represented by the size of the F statistics. Using F statistics, population seems to be the variable with the greatest discriminating power with enormous gap, followed by the expenditures of SP, health, and education. By contrast, the variables with lowest relative importance in the classification are GDP per capita, morbidity rate, and non-oil GDP.

The cluster solutions of our analysis are reasonably 'robust'. Following the recommendation from Mooi and Sarstedt (2011) the robustness is verified using a two-step check. Firstly, the stability of the results is evaluated by using different clustering procedures, distance measures and standardisation methods on the same data, and test whether these yield similar development taxonomies. However, it is common for results to change even when the cluster solution is adequate, some degree of

variation is expected when changing the cluster procedure. And secondly, the order of the districts in the data set is changed and the analysis is re-run to check its stability. The results should not depend on the order of the data set, unless there are outliers that influence the results. The first check shows moderate variations in the results. In particular, changing the clustering procedure, from the Ward to the single linkage (nearest neighbour), only affects 17 out of the 403¹³ districts (all of them are changes to the nearest cluster in terms of development).

From the previous procedures (the distances on scree plot, the dendrogram, and the VCR), the exercise produces four development clusters. The detail results consisting districts according to the four development groups are shown in the [Appendix C-3](#). In short, the first cluster (C1) includes 223 districts (100 of them are lagging regions and 17 are sharing borders with other countries; the second (C2) is composed of 121 districts (26 lagging regions and five bordering regions); the third (C3) includes 45 districts (one lagging region, and one bordering region); the forth (C4) has 14 districts with no lagged or border regions.

Therefore, C1 includes largely the poorest districts (using income per capita standard), followed by C2 and C3; whereas C4 includes the regions with the highest incomes. However, our development taxonomy differs notably from the usual income classification used by MoF or MoVDRaT. Thus the rank analysis between the variables, regional GDP per capita, and the cluster membership shows that both classifications have a limited degree of coincidence.

Notably, many districts commonly labelled ‘emerging districts’ are not in the emerging economies clusters because they retain characteristics of poorer districts. The result of cluster analysis shows that there is no simple ‘linear’ representation of development levels (from low to high development countries). Cluster analysis in this part of the study can be interpreted more precisely by examining the cluster centroids (i.e. average values of all districts in a certain cluster). This enables us to analyse the data on the basis of the grouping variable’s values as follows:

Cluster 1: High poverty rate districts with significant size of traditional economies. These districts have the highest poverty and lowest net enrolment primary education; however, the morbidity rate is less acute than in C2 and C3. On average, the agricultural sector contributes to one third of the local GDP, although their non-oil GDP is low. Moreover, they have the second lowest productivity of the economies in the data set. They have the poorest governance indicators whilst local revenue and local spending are the highest. Many of these districts are sparsely populated which contributes to low productive labour. The governance indicator ranks the lowest.

¹³ The exercise utilises the data set for all districts in Indonesia (497 as of the year 2014). However, due to incomplete variables for several districts, the result was reduced to being only for 403 districts.

Cluster 2: **Agriculture sector dependent districts with moderate size of population.** These districts rank third (after C3) in terms of poverty and morbidity. However, compared to other clusters, this group ranks second in terms of local expenditure (after C1). The education indicators are slightly better than C1. The majority of local expenditure is devoted to the economic sector, as in other clusters. However, the allocation to infrastructural development ranks first.

Cluster 3: **Cluster with relatively dense population and high morbidity rate.** This is also the group with the least productivity per capita. Poverty and morbidity rates are the second highest (after C1). Local revenue and expenditure do not contribute significantly to local development. Net enrolment rates for junior and secondary education rank first, which indicates the potential of human capacity, while local funding is mostly allocated to the economic sector, providing very small amounts for SP. Compared to the other groups, governance indicator in C3 ranks first.

Cluster 4: **Economically advanced emerging districts with serious challenges of population density.** These are the districts with very high productivity and very little government contribution. Poverty and morbidity rates are the lowest, whilst net enrolment rates for primary education are the highest. However, local governance needs significant improvement.

It is important to note, as in any development classification, that there are districts that do not perfectly fit their assigned development groups. The most notable cases in the above taxonomy are districts in Kalimantan Timur province, which is the largest and the second 'richest' (in terms of per capita GNI) district in the cluster. However, districts in Kalimantan Timur have 'poorer' indicators in terms of low autonomy reflected in the intergovernmental transfer fund which was lower than average. In short, C1 is the 'most similar' group in relation to the 'atypical' development values of East Kalimantan. Furthermore, it is worth noting that there are also important 'development gaps' across the clusters, using 14 development indicators.

Figure 5.3 displays the map representing the development taxonomy derived from these cluster results. As it can clearly be seen in the map, the development clusters are distributed across the geographical regions, with the two least development groups (C1 and C2) mainly located outside Java Island and another less developed cluster (C3) persisting in Java. The map also detects the uneven progress of development and the impact of heavy industrial agglomeration which has been concentrated in West Java (including Jakarta), parts of East Java, and several locations in Sumatra.

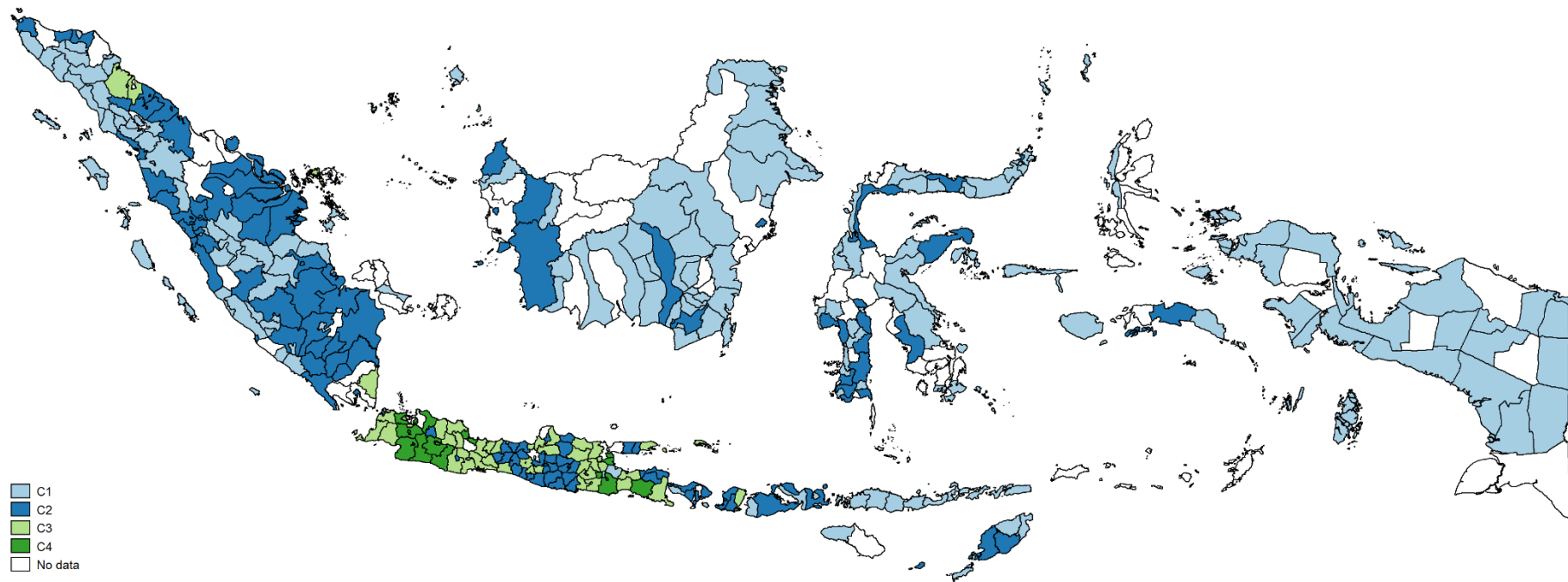


Figure 5.3 Taxonomy of the Districts by Clusters

The result of cluster analysis ([Appendix C-4](#)) shows the degree of matching with income rank and development status officially released by MoVDRAT to determine funding allocation in order to accelerate the development process in regions which border with other countries or are lagging. It can be seen that almost all regions considered lagging belong to C1 or C2 (71 lagging regions in C1, 23 in C2 and only one in C3).

Figure 5.4 shows that C1 to C3 (the three groups that include those districts with the worst development indicators) have more acute problems of poverty and health than the average districts. On the other hand, the productivity, governance indicators, and autonomy fund allocation differ significantly. The most important differences between C1 and other clusters are in terms of local fund fungibility (much higher, nearly 3 times the overall average). C4 has a significant advantage in terms of population size.

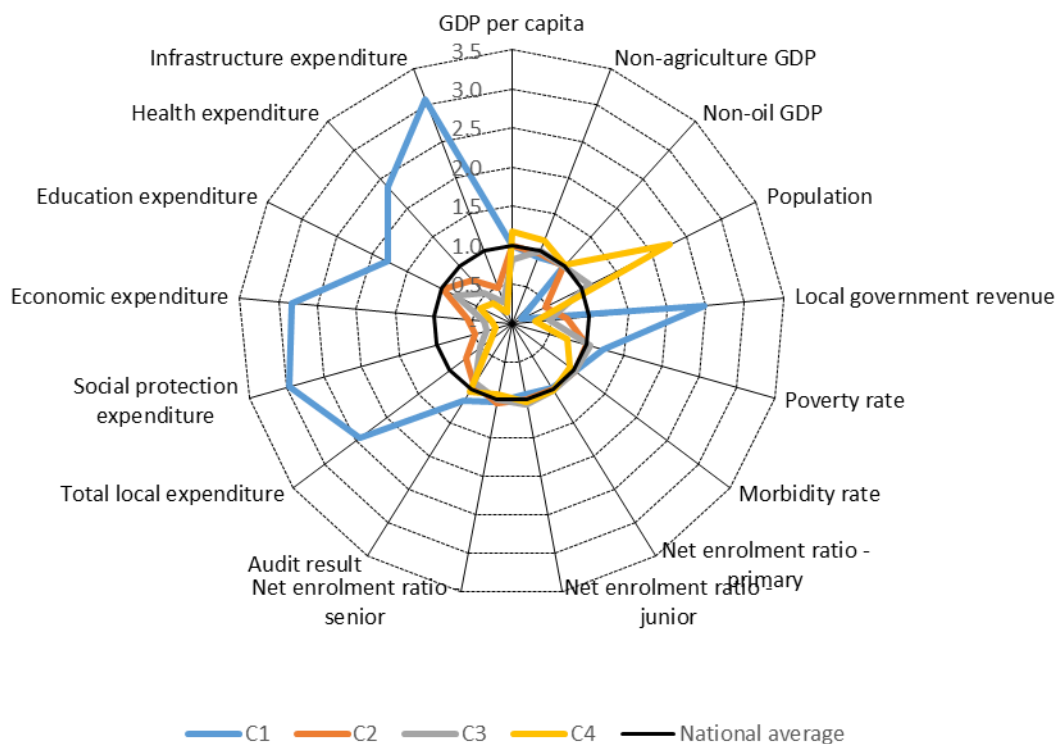


Figure 5.4 Characteristics of C1, C2, C3, and C4 (average)

Such ‘development taxonomies’ can be useful to help identify homogeneous groups of districts that share similar development characteristics and are practical for guiding ministries to determine the proper allocation of government transfers. However, building a development classification is not a simple task: once we overcome the over-simplistic income-based classification of the regions, we find that there is no simple ‘linear’ representation of development levels (from low to high developing districts). The result of cluster analysis in this study finds that each development cluster has its own characteristic development issues. There is no group of districts with the best (or worst) indicators in

all development dimensions. It would thus be more appropriate to build ‘complex’ development taxonomies on a five-year basis than ranking and grouping countries in terms of per capita incomes, as this will offer a more nuanced image of the diversity of challenges in the developing world.

Given its multidimensional nature, the analysis carried out in this study seeks to provide inputs into thinking about massive transfers of village funds (*Dana Desa*, enacted as Law No. 4 Year 2014), and designing development programmes at the local level. In this sense, the identification of relatively homogeneous groups of districts in terms of development issues can encourage ‘dynamics of peer-progress’ between districts of the same group, allowing them to collectively identify specific development strategies for the group, and therefore going beyond the ‘one-size-fits-all’ approach in the current formulation of government transfers (Shah, Qibthiyyah, & Astrid Dita, 2012) —an approach for which the previous MDG agenda has been criticised— (Vázquez, 2011).

Using these results, it is expected that the government can focus on specific issues in each cluster, and hence will be able to channel resources more effectively and devise proper interventions. The clusters might contribute to providing inputs to enhance the existing national programmes. Below is the list of potential programmes in each cluster respective to the local issues that they address.

Table 5.5 Issues and Potential Programmes for Clusters

	Issues	Potential Programmes
Cluster 1	<ol style="list-style-type: none"> 1. Poverty 2. Low enrolment rate 3. High reliance on agriculture 4. Low productivity 5. Local governance 6. High local spending 	<ol style="list-style-type: none"> 1. Poverty reduction 2. Scholarship assistance 3. Technical assistance on farming 4. Vocational training 5. Capacity building
Cluster 2	<ol style="list-style-type: none"> 1. Sparsely populated 2. High morbidity rate 3. Moderate enrolment rate 4. High reliance on agriculture 5. Moderate local spending 	<ol style="list-style-type: none"> 1. Health care 2. Scholarship assistance 3. Technical assistance on farming
Cluster 3	<ol style="list-style-type: none"> 1. Moderately dense population 2. Low productivity 3. Low rate of redistribution 	<ol style="list-style-type: none"> 1. Capacity building 2. Cash transfers
Cluster 4	<ol style="list-style-type: none"> 1. Highly dense population 2. Local governance 	<ol style="list-style-type: none"> 1. Capacity building 2. Transmigration

5.2.5 Entitlement Distribution

It has become clear that local governments rely on transfers to defray their routine spending. From the analysis using variables obtained from the INDO-DAPOER dataset, it is estimated that around 37 percent of the state budget is devolved to the regions (542 districts and municipalities and 60,000

villages). This is in addition to around 10.3 percent of central government spending in the regions (through 34 provinces). Therefore, nearly half of the budget is now actually spent in the regions (see Figure 5.5). Provided that there are no dramatic changes in regulations, the proportion of revenue might not exceed the transfers in the immediate future. Indonesian tax revenues remain much centralised and transfers from the state budget dominate as a source of revenue among sub-national governments. Further, the variation of endowments between regions has been relatively high which inevitably creates widening disparity in terms of fiscal capacity.

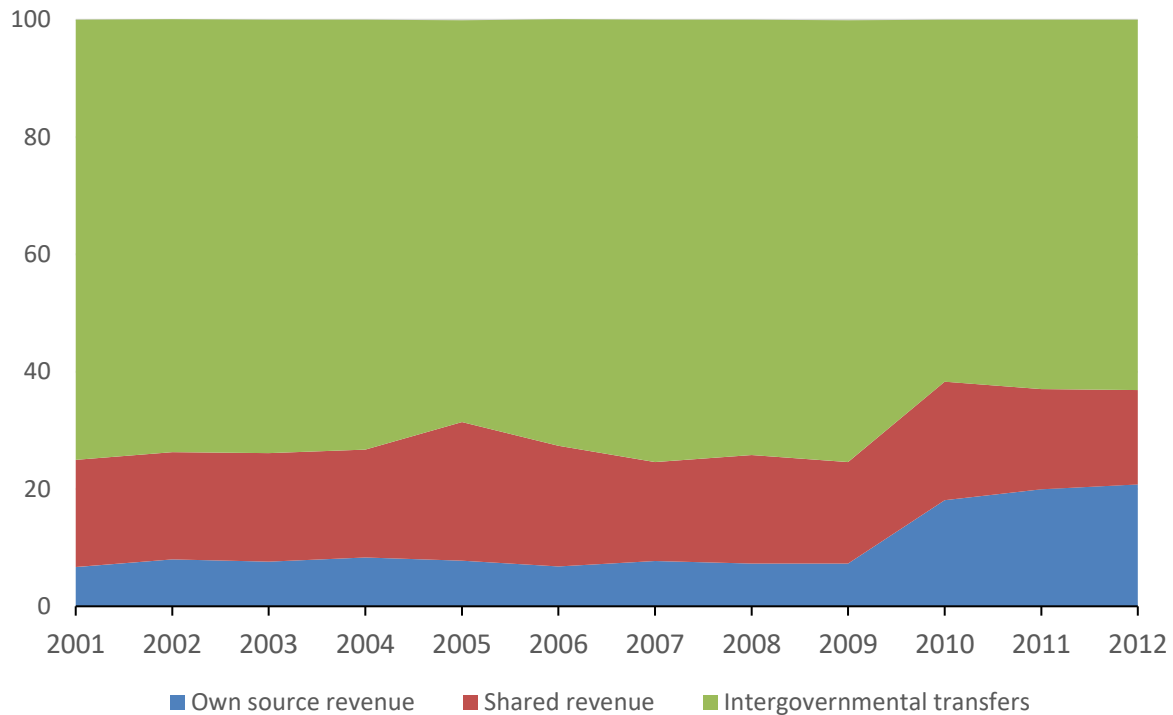


Figure 5.5 Types of Local Revenue (in %), 2001-2012

Yet, as depicted in Figure 5.6, most of the local spending is basically just about paying enough for routine expenses. From the inception of decentralisation, administrative expenditure has been taking around 30-40 percent of total spending. This can be explained intuitively by the need for establishing new units at the local level which requires a high rate of investment for local governance capacity (infrastructure and personnel for administration, among others). The second highest expenditure is on education which interestingly in 2011 exceeds administrative spending. Unsurprisingly, the relatively high amount of education spending is related especially with the obligation to allocate at least 20 percent of the total budget for this sector, as stipulated in the Constitution.

Apart from administrative and education spending, other sectors merely receive around 5 to 10 percent at most. As expected, the health sector takes an increasing portion of local spending largely for investment in the preparation and initiation of national health insurance. The national agenda of

social health insurance entails close coordination and cooperation with local governments in terms of providing health infrastructure including the supporting facilities. Meanwhile, share of SP expenditure has been the lowest from 2001 to 2012. Here local SP spending encompasses various programmes targeted to households or individuals in forms of cash or non-cash assistances¹⁴. Probably, low figures on local SP spending is caused by massive national SP spending in regions which consequently makes local governments only allocate for additional beneficiaries not in the beneficiaries list or supporting administrative expenses. Often, in the context of local administration, SP spending is allocated to support and to safeguard the implementation of national SP programme.

In addition, several local administrators manage to introduce their own health care programmes which have been arguably inefficient as they overlap with the national programme. Often, the local version of health care creates serious financial burdens which undeniably pose sustainability risks as some local governments perceive the newly-gained health sector can be potentially used for profit-generating posts (Thabrany, 2008). Offering different premiums and benefits, the local health insurance programme (*Jaminan Kesehatan Daerah* or Jamkesda) has added complexity to the transformation towards universal health coverage (Brodjonegoro, Nazara, & Zen, 2016, p. 143). On top of that, changes in administration regimes usually produce new labels and slight modifications to existing programmes which eventually complicate the transition process even further. In sum, various types of local health care were largely driven by domestic political concerns (Pisani, Olivier Kok, & Nugroho, 2016).

¹⁴ Local budget nomenclature for SP function might not fully reflect or follow the precise definition of SP. However, most of the spending are basically targeted to improve welfare conditions of households.

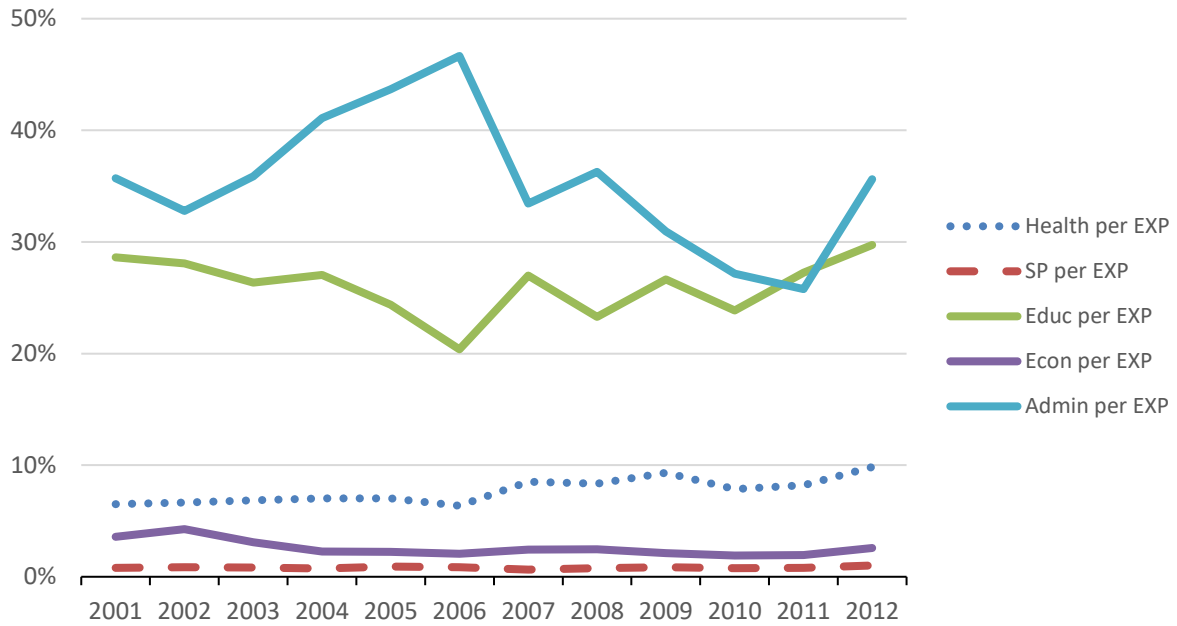


Figure 5.6 Share of Local Government Expenditure, 2001-12

Comparing periods before and after the implementation of decentralisation, one cannot disentangle the analyses to estimate the effects on deepening democratisation (in this context, meaning direct elections). In the present study, the analysis relies on two main variables, i.e. GDP per capita and share of SP expenditure of total regional GDP. These two variables are used as proxies to represent the fiscal strength of entitlement programmes to garner potential votes during periods that coincide with local elections. Using typology diagram (Figure 5.7), we can set quadrants which depict regions with the most benevolent spending of SP and regions according to their fiscal capacities. However, the unit of analysis in the earlier work was confined to the provinces, as the district (*kabupaten/kota*) data set was still in its inception phase, covering a relatively short timespan of about a decade. Moreover, one can only draw limited inferences about the effects of decentralisation, because of the analysis was conducted at the provincial level and the regional accounts data are only available for certain periods.

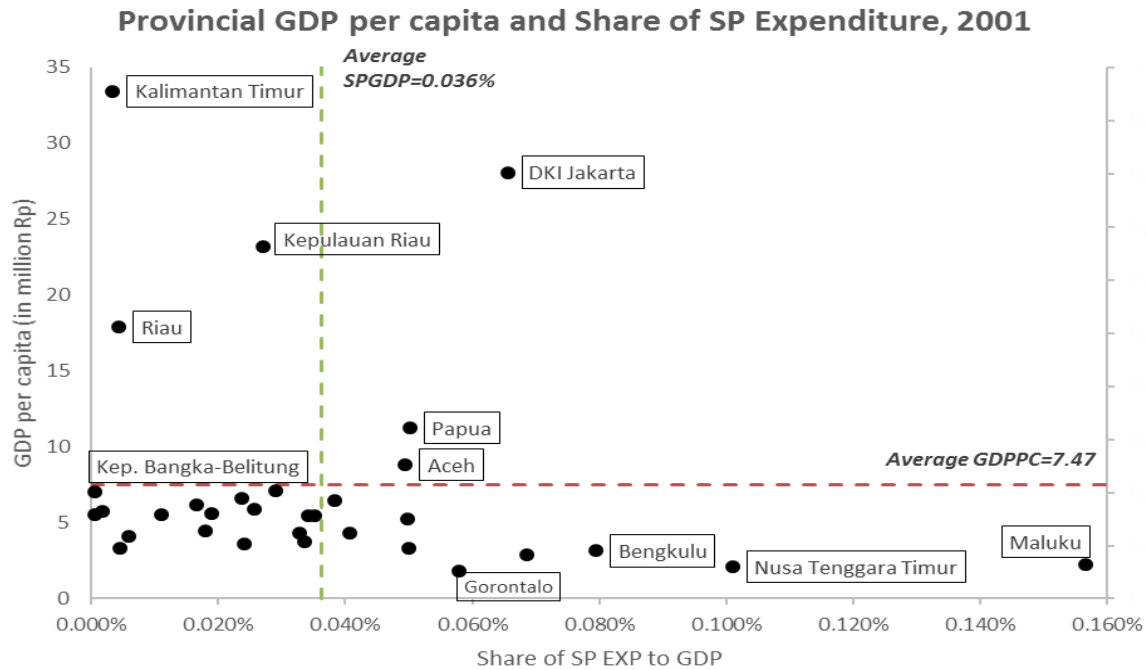


Figure 5.7 Provincial GDP per Capita and Share of SP Expenditure, 2001

Quadrant 1 (top left) displays regions with low fiscal ability but high SP budget. Meanwhile, quadrant 2 (located on the top right) is the most ideal type of region with sufficient fiscal space and a high degree of SP disbursement. There are three provinces in each first two quadrants. The bottom left quadrant (3) reflects regions with both low fiscal capacity and below-average SP budget proportions. As displayed in Figure 5.7, this quadrant hosts the largest number of provinces (17). The last quadrant (4, on the bottom right) depicts the regions with the combination of low fiscal capacity but relatively high SP budget. Being in quadrant 4 inevitably poses serious challenges to in the form of either financial pressure or SP sustainability, yet there are nine provinces that eventually manage to pull through. In sum, the total average SP proportion that went towards the provincial budget in 2001 was very low (0.04%). There are at least two main explanations for this phenomenon. First, there were weak incentives for governors or candidates to use SP as a tool for garnering votes as direct elections had not yet been introduced. Second, as fiscal devolution was in its inception phase, a high degree of reliance on central government funding was anticipated.

While the previous diagram provides a glimpse of the situation surrounding the early implementation of decentralisation, Figure 5.8 gives a hint of socio-economic circumstances after more than a decade of regional autonomy has taken place. Taking the observations from 2012, the impact of direct elections (stipulated in 2004) is also expected to be captured. This can be indicated by a substantial increase in the total average SP budget (0.17%) as a proportion of each provincial annual budget. GDP

per capita also experienced a marked increase (10.12) possibly as effects of either economic progression at the local level or deepening of fiscal devolution.

Compared with the previous chart (Figure 5.7) there occurred significant changes. Foremost among these is the different number of provinces in all quadrants. Quadrant 1 now has six provinces while surprisingly there is only one province in quadrant 2 (Papua Barat). There are 13 and 12 provinces for quadrants 3 and 4, respectively. In this chart, we can identify that there are an increasing number of provinces in quadrants 1 and 4, each with 100 and 30 percent rates of increase respectively. A few factors can explain the growing number of provinces in quadrant 1. As fiscal capacity is raised, this intuitively will enhance the ability of provinces to broaden the scope for SP. However, it might not be necessarily the case if the budget for SP is largely still under the administration of the central government. Another important factor that may explain this situation is where the benefit of extending SP is not easily translated into political capital. Presumably, the large segment of the middle and upper class who are not the prime targets for SP beneficiaries make local politicians tend to divert the budget to other promising sectors such as infrastructure or the economy.

Throughout 2001 to 2012, there is hardly any clear correlation between the increases in GDP per capita with the rise in SP spending. In 2001, three regions with rich natural resources and strong fiscal capacity managed to disburse an above-average SP share, whereas in 2012, only one rich province was able to allocate more to SP than other regions. Interestingly, in 2001 there were 9 provinces with weak fiscal condition, but they managed to push through above-average level of SP spending. In 2012, regions of this type increased to 12 provinces. Meanwhile, the majority of provinces still struggle to strengthen their fiscal posture and only manage to allocate below-average SP spending, although the number decreased from 17 to 13 provinces.

The results of this typology need to be seen in a context where the SP budget at the national level has also been increasing from 2001 to 2012 and has disbursed relatively equally across the regions through various programmes such as cash transfers, health care, scholarships, rice subsidy, and other small benefits for targeted groups (persons with disabilities, children, and the elderly). On a related note, the small proportion of SP expenses is largely reflected in this highly expansive centrally-governed SP in the regions. However, the massive and dominant role of central government in arranging SP apparently does not prevent local governments from innovating and launching their own SP. As discussed previously, the end of temporary safety-net programmes in mitigating the aftermath of the Asian Financial Crisis (AFC) in 1997-98 followed by the implementation of decentralisation, leading to experimentation with several different models of entitlement programmes at the local level. When direct elections for local leaders were introduced in 2005, popular social policies arguably led to

success at the polls. SP programmes became an important electoral asset, moving up the political agenda.

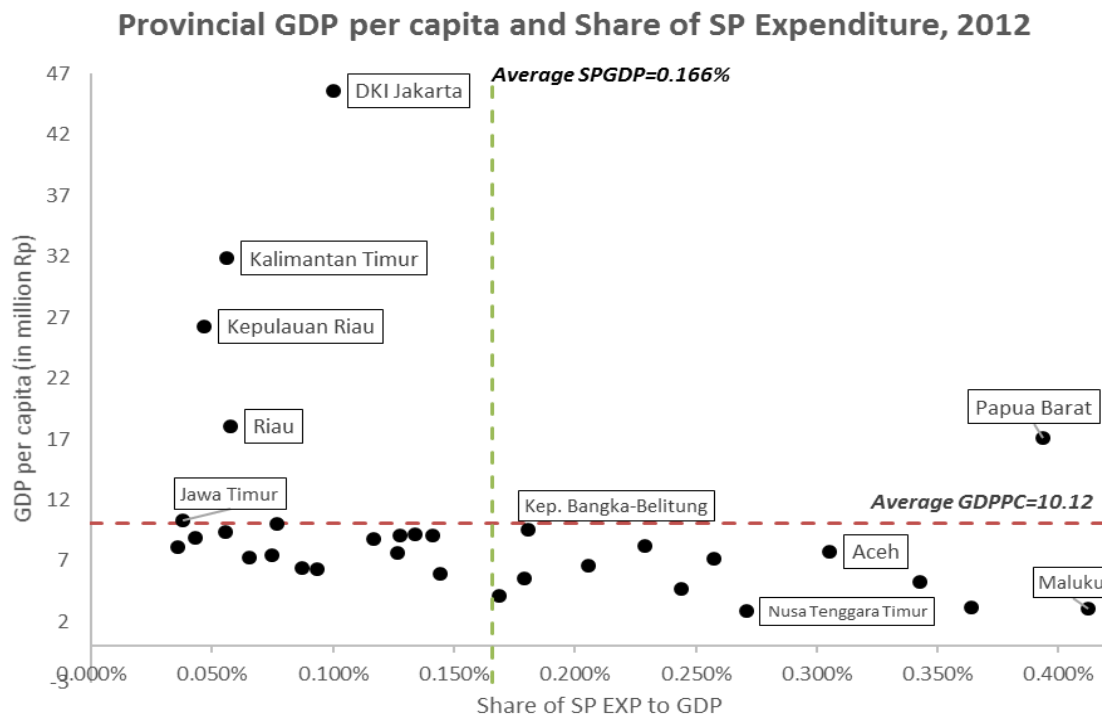


Figure 5.8 Provincial GDP per Capita and Share of SP Expenditure, 2012

From both diagrams (Figure 5.7 and 5.8), we can further check whether there has been any indication of convergence in SP spending. A very gradual and incremental convergence in provincial SP spending levels was discernible as depicted in Figure 5.9, suggesting some catch-up among the poorest regions. Therefore, this indicates that regions which were previously allocated a small part of their budget for SP have a tendency to increase the proportion and will in the long run catch up with the regions that already have a substantial budget for SP. The convergence might take long periods as most regions merely have a 0.1-0.2 percentage point increase in the budget.

The long-run regional budget convergence points towards the indication that SP is an important tool at the local level. This trend responds favourably to the relatively low allocation of SP at the pre-decentralisation or pre-direct election periods. A case in point is in the late 1980s. As a response to the dramatic changes in the economic environment in the early 1980s, there was a significant reduction in the central government expenditure on health programs. This declining public expenditure has had a significant impact on local governments' expenditure on sectoral development. Cash-strapped regions did not have much option other than relying entirely on central government attention.

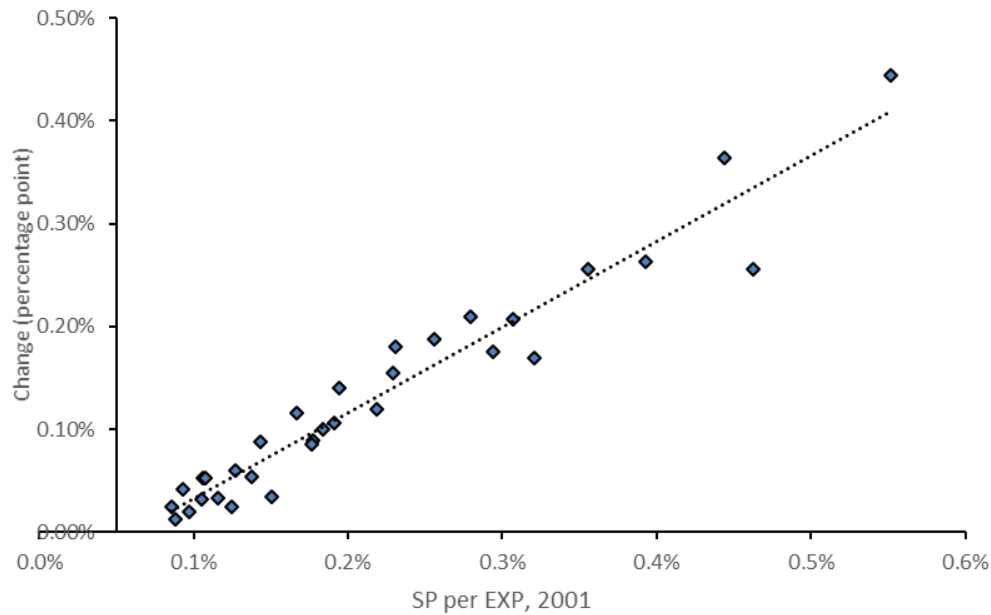


Figure 5.9 Convergence of SP Expenditure, 2001-12

As reported by Kristiansen and Santoso (2006), the early implementation of decentralisation did not instantly bring about a dramatic increase on the local SP budget. Using the case of access to and quality of health care in four districts, the allocation of funds from central government sources has decreased, while increasingly district government expenses are now based on tax revenues from their own natural resources and business activities. This situation inevitably leads to a decline in real-terms in government funding for the health sector, as also experienced in many countries undergoing decentralisation and deregulation. Moreover, their research shows a total lack of financial transparency and accountability in the public health sector in all districts. Therefore, the increasing rate of SP spending conveys the positive development of SP at the local level.

5.2.6 Percentile Distribution of Benefits

Besides analysing the local SP budget and its trends, this chapter is devoted to exploring the strategies employed to reach intended beneficiaries and their effectiveness. Moreover, with the enactment of democratic regulations, the impact and influence of direct elections change the electoral franchise quite significantly. Prior to the direct election system, political parties often rely solely on their organisational machine to empower the deep-seated network involving only limited groups of the elite who could muster support from the community to vote for parties which then decide whether their members will be legislatures or heads of regions.

In contrast, with the direct election system in place, individuals who run for positions must work on the ground to convince the public and to garner political support. The job that was previously handled by political parties now becomes the responsibility of respective candidates and his or her teams (D. Hill, 2009). It is not uncommon that bitter rivalries occur within the same party when mobilising voters during campaigns. Previous research on the impact of elections has been done by Lewis (2017) using all district-level data over a ten-year period. The study finds that the direct election of local government executives has no influence on the generation of own-source taxes, but that districts with directly elected heads spend less and save more compared to their counterparts with indirectly elected executives. Further, the author adds that local governments with directly elected heads also spend more efficiently in pursuit of service outcomes than districts with indirectly elected officials. In that way, he argues that local governments led by popularly elected executives are relatively less corrupt than their counterparts with indirectly elected heads, and that this reduced corruption leads to a more efficient use of fiscal resources.

This section discusses the relationship between deepening local democracy with the outreach of largesse or benefit of SP. Using two periods—2005 and 2008—this analysis attempts to trace the relationship between local elections on the coverage of SP. The former (2005) represents the period when local direct election has just begun and the latter (year 2008) provides a snapshot for the evaluation after three years of implementation. This part does not aim neither to establish causation nor to test underlying assumptions. Alternatively, this part cautiously endeavours to investigate the correlation between local elections and SP coverage. The result of this part should not be taken literally and should only be considered as a preliminary findings to undertake further analysis.

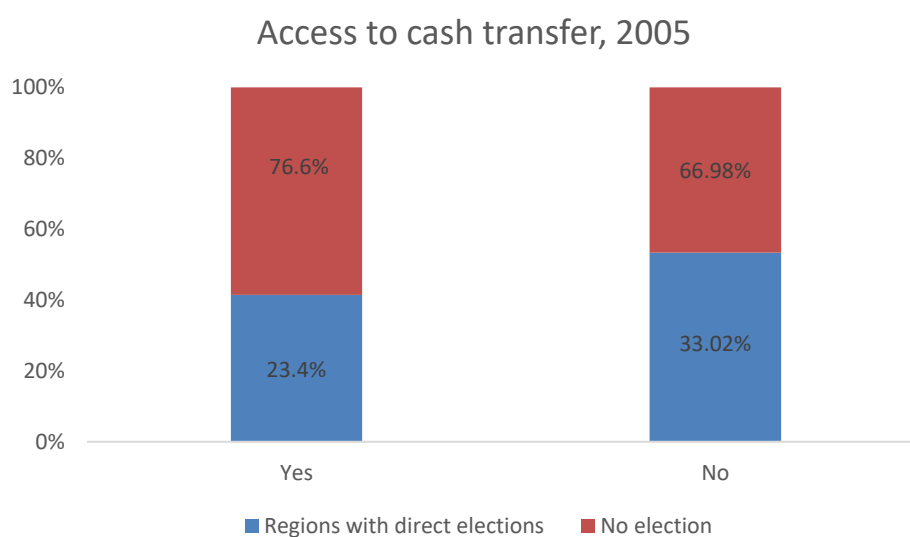


Figure 5.10 Access to Cash Transfer, 2005

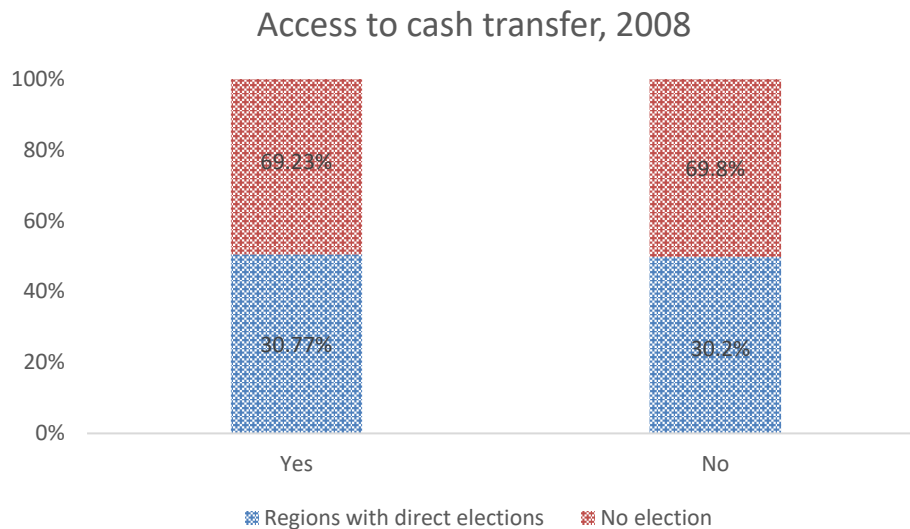


Figure 5.11 Access to Cash Transfer, 2008

In Figures 5.10 and 5.11 above, the increased coverage of cash transfer beneficiaries is noticeable in regions where direct elections were held (from 23.4% in 2005 to 30.7% in 2008) while non-beneficiaries decreased only around 3 percent in provinces with direct elections between 2005 to 2008. The results of these charts suggest two possible scenarios. First, it can be argued that the targeting mechanism was improved significantly between 2005 and 2008, hence the increasing coverage. Second, it could be that ‘money politics’ (common term encompassing vote-buying or turn-out buying, usually by giving away cash on the eve of election day) was replaced by methods of ‘distributive politics’ in which benefits might be channelled directly or indirectly in the forms of various entitlement programmes. Coinciding with the implementation of direct election in 2005 was the introduction of the large-scale targeted cash transfer programme. This programme was actually intended to replace the regressive and increasingly costly fuel subsidy. Hence, the underlying reason behind cash transfer was to change from subsidy on goods to subsidy on people (also called beneficiaries).

Back then in 2005, targeted SP was a new experiment and without prior experience in the past, problem suddenly began to emerge. Targeting was the main reason for these problems. From the first phase of cash distribution, logistical challenges gave policymakers at every level a difficult time. It was not uncommon that statisticians and local leaders were the first to fall victim to this trouble. Violence and mistrust within communities had increased quite markedly. The poor targeting that resulted from its rapid implementation is well documented (Hastuti et al., 2006). Nearly half a billion US dollars made its way to ineligible households. The social unrest that resulted was widely reported in the media and extended from protests across the nation to acts as extreme as the burning down and stoning of village heads’ offices (Widjaja, 2009). Cameron and Shah (2014) hypothesize that the poor implementation

of the programme that saw many eligible households missed out on payments and many ineligible households received them. This reduced the level of trust within the community, had a deleterious effect on social capital, and led to an increase in antisocial, and in some cases, criminal behaviour.

Relating to the series of direct elections in 2008 and the second cash transfer programme, a lot of improvement was made mainly through proper household identification which undeniably contributes to the increased coverage. Obviously, many aspects surrounding the targeting and distribution were enhanced and people began to understand the scheme better (World Bank, 2012a). Those improvements made the incidence of violence were reduced significantly. The relative success of cash transfers in 2008 still received heavy criticism, particularly as it was implemented a year before the presidential election. Some still associate cash transfer as 'money politics' (Edward Aspinall & Sukmajati, 2016).

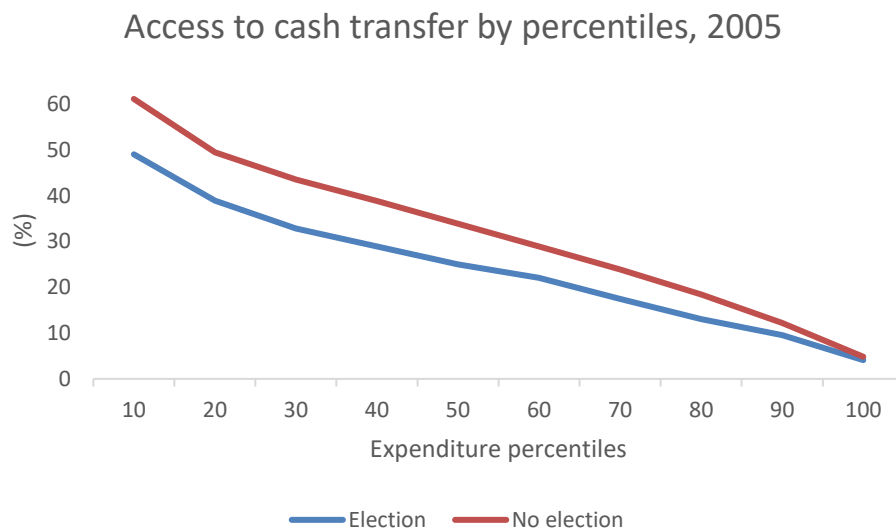


Figure 5.12 Access to Cash Transfer by Percentiles, 2005

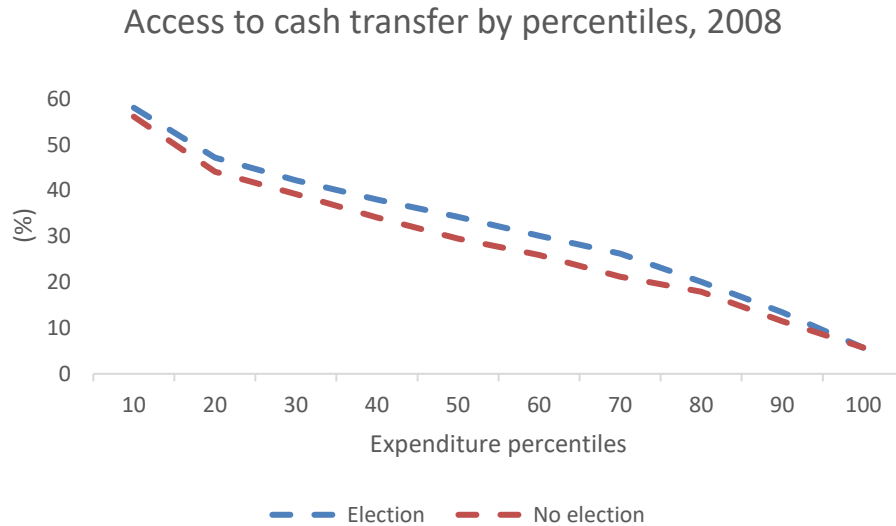


Figure 5.13 Access to Cash Transfer by Percentiles, 2008

Figure 5.12 and 5.13 highlight the marked increase (from 50 percent in 2005 to 60 percent in 2008) of access to cash transfer for the lowest percentiles in regions with elections. In 2005, as depicted in Figure 5.12, the number of cash transfer beneficiaries is larger in regions with no election whereas in Figure 5.13 appears the opposite where regions with elections in 2008 saw greater number of beneficiaries than regions without elections. The increase of beneficiaries coverage from 2005 to 2008 occur not only in the lowest percentiles groups but also in the higher ones.

A large part of this increasing coverage can be explained by the factors above, i.e. targeting improvement and local politics. However, it is interesting to observe that regions with elections seem to see more targeted cash transfer distribution in 2008. Whilst political factors could be taken into account in this case, the policy of cash transfer was totally under the authority of the central government. There have been no local governments or local leaders who have pledged to give away cash assistance in their regions during these periods. In fact, a handful of local leaders stood up against cash transfer as it was believed to cause turmoil. Other local politicians deemed that the shift from fuel subsidy to cash transfer was a mistake as it could not compensate the inflationary impact of a fuel price hike. Hence, the consensus from the resisting local leaders pointed to the conflicts occurred within community and heavy protests addressed to the local governments¹⁵.

Despite opposition from several local heads, cash transfer programmes have been successfully implemented in every region. Resistance was reduced and criticisms turned into constructive inputs

¹⁵ Some reports are documented in <https://economy.okezone.com/read/2008/05/28/19/113318/lima-kelemahan-program-blt> and <https://finance.detik.com/berita-ekonomi-bisnis/d-943439/sb-minta-blt-yang-ditolak-dijadikan-program-padat-karya>

for the same projects in 2008 and 2013. Chief among these recommendations was the ‘community targeting’ mechanism which largely involved the participation of local leaders and required a series of meetings with potential beneficiaries and major stakeholders to discuss a wide range of criteria to determine eligibility. Though it seemed to create a leeway in designating rosters of beneficiaries, the central government managed to safeguard a robust methodology on targeting. Variables were strictly defined and local agencies were subject to comply and support the process. The role of enumerators (*mantri statistik*) was essential to ensure the validity of beneficiaries’ data. BPS undertook several meetings to build their capacity before doing the census. These steps to improve targeting had been inspiring local administrators to emulate them to some extent for other SP programmes. However, few local offices even managed to establish new units dedicated to this targeting procedure.

Similarly, the increase in coverage also occurred in the ownership of health cards which entitle holders free health care to public health facilities. The programme shared the same data set with cash transfer in 2005, initially started in 2004, and drew criticism partly due to the lack of quality care. Bureaucratic procedures and heavy paperwork also became a reason for its ineffectiveness. Sparrow et al (2013) find that the programme is indeed targeted to the poor and those most vulnerable to catastrophic out-of-pocket (OOP) health payments. Yet, issues surrounding targeting also persist in this social health insurance scheme. The general pattern is that utilisation of outpatient care increases with the level of welfare. Hence, the pro-rich pattern is driven by differences in private care, which is traditionally highly skewed towards the non-poor.

Health insurance (or formerly called *Askeskin*, formal abbreviation for *Asuransi Kesehatan untuk Masyarakat Miskin*) is reasonably successful in reaching individuals that would need relatively high OOP health spending as a share of the overall household budget to obtain the required health care. In 2008, the formal name of this programme was changed to *Jamkesmas* (*Jaminan Kesehatan Masyarakat*, literally translated as Public Health Insurance). Regardless of its shortcomings concerning targeting, these programmes dramatically increased health care coverage, with *Jamkesmas* covering about 86 million persons out of a total population of 245 million in 2013, at a total cost of 8.29 trillion rupiah (about US\$861 million).

Unlike cash transfer which is solely the domain of the central government, the health scheme occurred alongside a proliferation of policymaking at the regional level. This is mainly the result of far-reaching political decentralisation and providing budgeting powers to the districts. Initially, this trend began with a few well-publicised programmes in districts run by reforming politicians or endowed with natural resource revenues. Chief among these local initiatives were programmes in Jembrana (a district in Bali) and South Sumatera (a province in the island of Sumatra). Generally called *Jamkesda* (*Jaminan Kesehatan Daerah*, translated as Regional Health Insurance), such a scheme proved effective

to elevate political popularity, and was being replicated in great numbers across districts and provinces. A survey conducted by SMERU Research Institute in 2012 found that 245 of 262 districts had some sort of local health financing scheme. However, the design of these schemes varied considerably. Most were intended to supplement the umbrella *Jamkesmas* programme, extending coverage to people who were not categorised as poor or near poor under the national scheme. Unsurprisingly, there was high variation in the funding models applied and the methods by which health centres and hospitals were paid. While all involved transfers from local budgets, only a few asked payments from beneficiaries or alternatively limited the benefits acquired according to income.

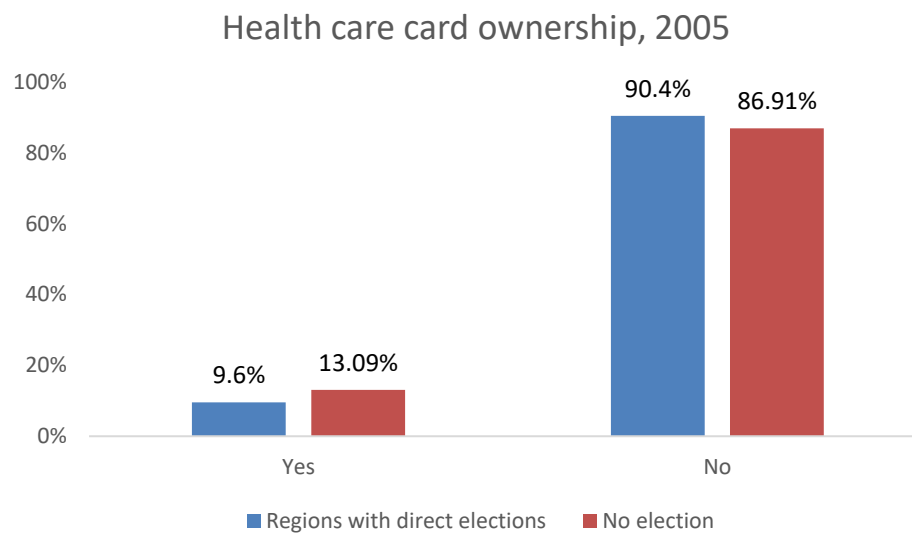


Figure 5.14 Health care Card Ownership, 2005

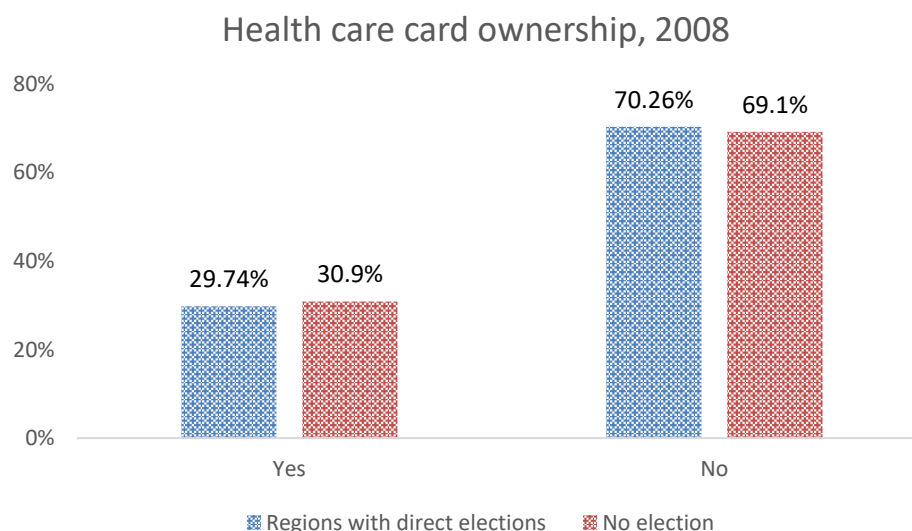


Figure 5.15 Health care Card Ownership, 2008

Similar to the case of cash transfer distribution in the previous section, political factors seem to influence the expanding coverage of health care card ownership. Figure 5.14 and Figure 5.15 display the increasing coverage of health card ownerships with dramatic increase in regions with elections, from 9.6 percent in 2005 to 29.74 percent in 2008. This largely implies the betterment of targeting in 2008 which shows that regions with direct elections manage to cover a larger proportion of beneficiaries in the lowest percentiles. In contrast, during the inception phase of the direct election period in 2005, regions with elections seemingly were only able to reach fewer beneficiaries. These graphs imply several important messages. First, the health care programmes were strongly supported by local administrators and received attention for more inclusive targeting. Second, within the situation of local political franchise and 'one person one vote' system, the lowest percentiles had always been susceptible to be the main target for political campaigns, with benefits ranging from cash to other in-kind assistance.

In retrospect, several local health care programmes could eventually complement the national social health insurance scheme. As stipulated in decentralisation laws, regional governments could have a more important role in providing health infrastructure, which ranges from primary facilities to the availability of trained medical personnel. Since 2001, the administration of health services in Indonesia has changed dramatically. Managerial and financial responsibilities for public health care have been decentralised from the central government to the district level, and health care is increasingly privatised. The seeds of the national social health insurance programme can be traced back to the AFC in 1998 which later ignited various SP programmes. Among these was the social safety net programme for the health sector (JPS-BK, *Jaring Pengaman Sosial Bidang Kesehatan*), aiming to protect poor citizens' access to health care. According to the World Bank (2000a), 'catastrophic results were averted' by these temporary measures. However, Simms and Rowson (2003) found that the lenders' assessments of health during the crisis were inaccurate and misleading. There seems to be general agreement that the JPS-BK health-card system (*kartu sehat*) did not work well: this was partly due to ignorance among patients and partly due to irregular practices and corruption among service providers (Junadi, 2001).

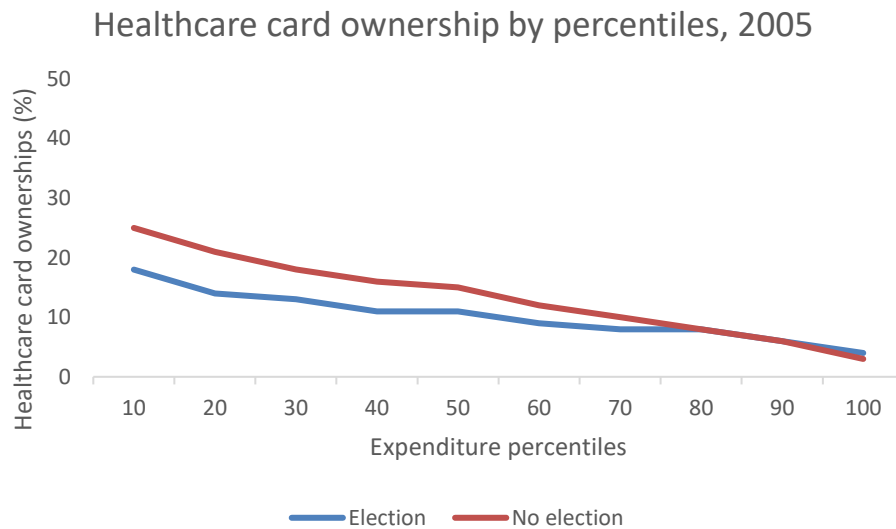


Figure 5.16 Health care Card Ownership by Percentiles, 2005

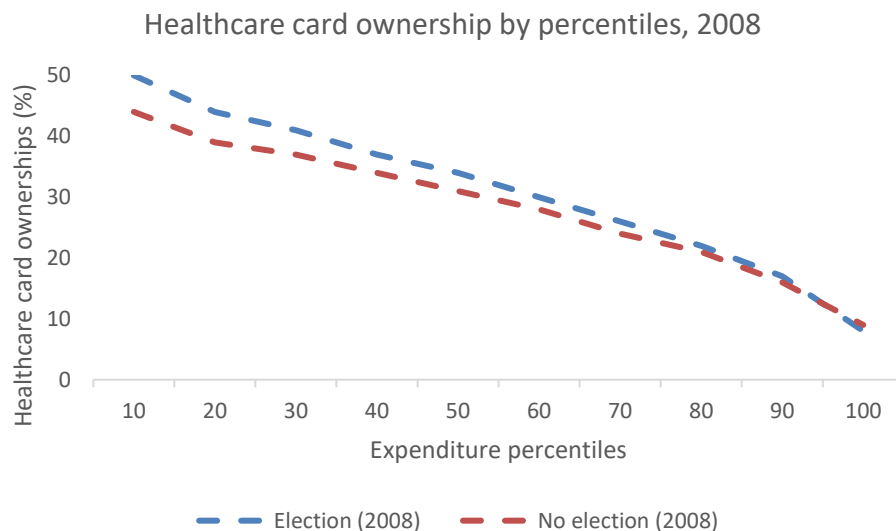


Figure 5.17 Health care Card Ownership by Percentiles, 2008

With regards to the targeting, the increasing coverage of health care beneficiaries contributed significantly to the higher access of the lowest percentile groups between 2005 and 2008 (see Figures 5.16 and 5.17). In 2005, only less than 20 percent of the lowest 10th percentile group owned health card while in 2008 it jumped remarkably to around 50 percent. Meanwhile, regions without election also see quite significant increase in health card ownership (from 25 percent in 2005 to 45 percent in 2008).

The increasing access of vulnerable groups was also inevitably a result of proliferating local initiatives on health care. Although a number of local free health care schemes are universally provided, the main targets were still the communities who live in abject poverty. Therefore, it will not be uncommon

to witness the dramatic increase of health care coverage amongst the lowest percentiles. Rosser and Wilson (2012) further argue that local governments, for instance in the districts of Jembrana and Tabanan (both in the Province of Bali) have responded quite differently to the issue of health insurance for the poor since the local administrations gained primary responsibility for the health policy as a result of Indonesia's implementation of decentralisation in 2001. They add that this variation has reflected differences in the nature of district heads' political strategies, particularly the extent to which they have sought to develop a popular base among the poor, and that these in turn have reflected differences in their personal networks, alliances and constituencies.

The regions basically depict the situation where district governments have officially been required to participate in the *Askeskin/Jamkesmas* programmes since 2004, however under the implementation of decentralisation, they also had complete discretion over whether to provide additional financial assistance to these programmes. Moreover, underlying this issue is that these programs have been underfunded: they have not covered all people considered to be poor at the local level, only those assessed as poor by central government agencies, and have only provided for a limited range of services. District governments have had the authority to 'top up' the *Askeskin/Jamkesmas* programmes by setting up their own local health insurance schemes covering uninsured poor people.

The case of distribution for rice subsidy (*Beras untuk Masyarakat Miskin*, hence abbreviated to Raskin) also echoes the previously-mentioned SP programmes. The lack of targeting accuracy has been the main issue since inception. It delivers rice to be purchased at subsidised prices in designated outlets. *Badan Urusan Logistik* (Bulog, the National Logistics Agency) is responsible for purchasing rice from producers and delivering it as far as the over-50,000 distribution points spread throughout Indonesia. Households should be able to make monthly Raskin purchases from these outlets. Using local budgets, some regions decided to fund logistics operations to bring Raskin rice closer to households. Later on, Raskin has been institutionalised and become a permanent programme. In real expenditure terms, Raskin is one of the few social assistance programs with an ever increasing budget.

When the unified beneficiaries' data was released in 2005, it soon sparked a controversy on the matters of inclusion and exclusion targeting. From the World Bank's report on the Raskin programme (2012d), the distribution of rice does not closely align with the objectives laid out in programme manuals and official documentation, for at least three reasons. First, a large portion of the subsidised rice procured for the Raskin programme was not delivered to households. In the three most recent years for which there is audited budget data (2007 through 2009), nationally representative household surveys indicate that only half (or less) of the rice procured for Raskin is purchased by households. The readily-available budget and administrative records cannot indicate where the bulk of this 'missing'

rice exits the delivery chain, and no single agency or authority oversees Raskin rice from procurement to household purchase.

Second, although Raskin coverage is higher among poorer households, coverage extends to nearly as many non-poor households as poor households. Roughly 50 percent of the entire Indonesian population buys Raskin rice at least once a year, making Raskin's overall coverage 20 percentage points higher than the next largest permanent social assistance programme. Raskin allocations to households are decided by local authorities, resulting in frequent Raskin purchases by poor and non-poor households alike. In some regions, a rotating schedule has been established to share Raskin allotments more equally among a greater number of households. These coverage increases (beyond the target population) have been common since Raskin's inauguration (as OPK) in the late 1990s.

Finally, as total rice is spread more thinly than is specified in Raskin guidelines, only a few households enjoy the full amount of Raskin benefits. In fact, the amount of Raskin rice purchased by a household is roughly constant across the entire consumption distribution, meaning non-poor households buy as much quantity as poor households. By 2010, the average amount of Raskin rice bought was approximately 3.8 kilograms per month, while total rice purchases by poor households amount to nearly 35 kilograms per month, and estimated rice needs for an Indonesian household are closer to 40 kilograms per month.

Figure 5.18 and 5.19 indicate a correlation between direct elections and the distribution of rice subsidy. Yet, compared to health care programmes, Raskin coverage in election areas shows only marginal increase between the years 2005 to 2008. The coverage of rice subsidy beneficiaries in regions with election increased around 22 percent between 2005 to 2008. Meanwhile, non-beneficiaries in regions with election only increased nearly 5 percents (from 37.2% in 2005 to 42.7% in 2008).

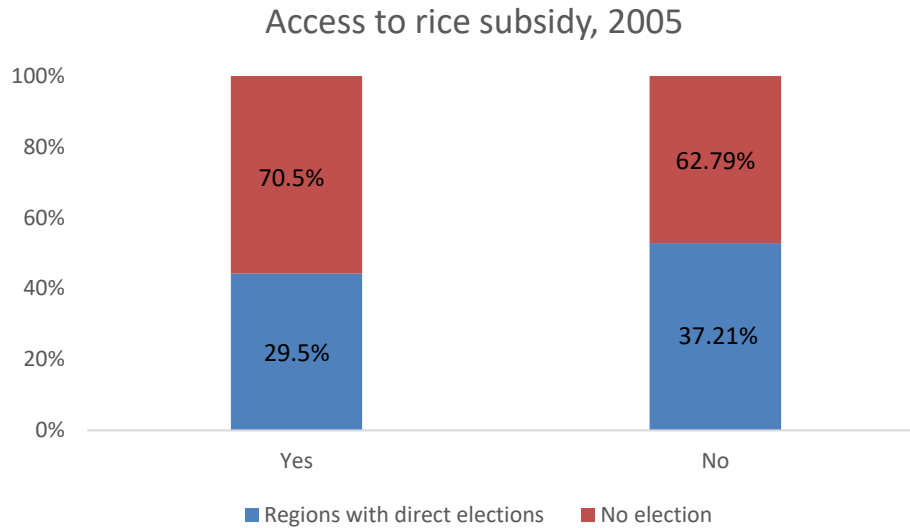


Figure 5.18 Access to Rice Subsidy, 2005

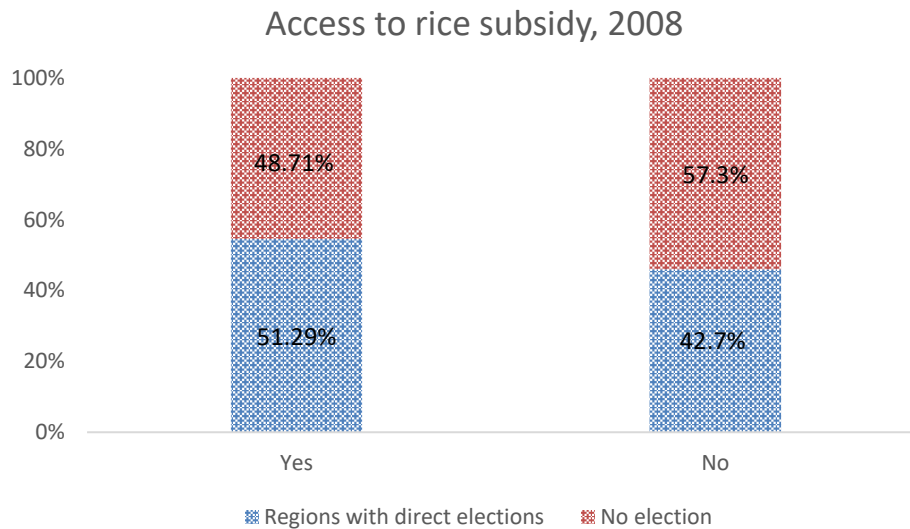


Figure 5.19 Access to Rice Subsidy, 2008

One can infer that political factors explain at least a small part of this growth. Unlike cash transfers or health cards, many evidence show that heads of communities play a larger role in targeting (Beard & Dasgupta, 2006, p. 238). Even the cases of mistargeting have often been handled (and mostly resolved) through communal deliberation. Prominent among these are methods of fair distribution of rice which then enable all residents to receive the allotted staple, regardless of their socio-economic status. In many cases, village heads have not allowed beneficiaries to purchase their full 15 kilogram allotment, giving the remaining rice to other villagers whom they consider just as poor. Sometimes, poor households themselves have voluntarily given up their rice entitlement because they could not afford to purchase full 15 kilograms.

With prevalent ‘mistargeting’ due to the premature release of a unified data set in 2005, the universal redistribution by community heads became increasingly popular, and might be perceived to increase the rate of inclusion error within rice subsidy allocation. In practice, non-poor households are also able to purchase the subsidised rice with this discretion.

However, Figures 5.20 and 5.21 depict the increasing access of lower percentiles from 2005 to 2008. These graphs imply significant improvement on targeting and distribution of rice subsidy. This runs counter to the assumption that newly-promoted community targeting will lead to the greater inclusion error. Another explanation lends itself to the increased coverage of the lowest percentile is the increased total coverage of rice subsidy from around 15.8 million households in 2005 to 19.1 million families in 2008.

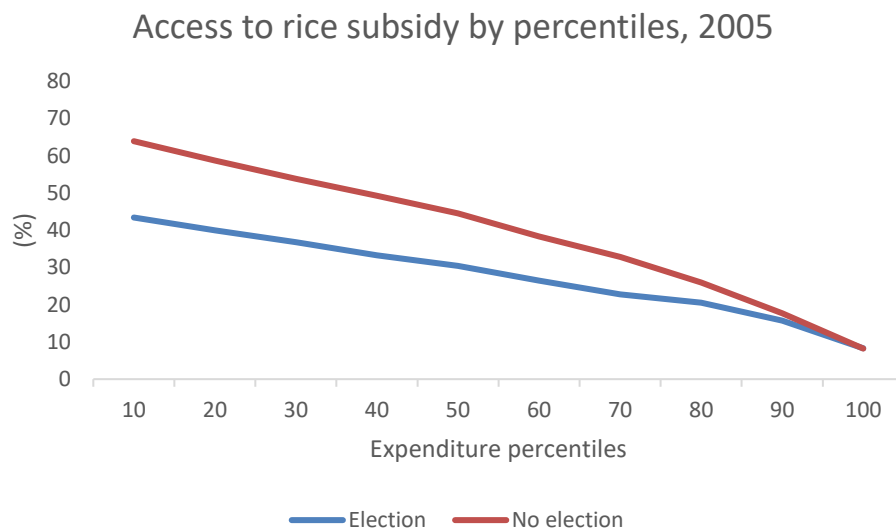


Figure 5.20 Access to Rice Subsidy by Percentiles, 2005

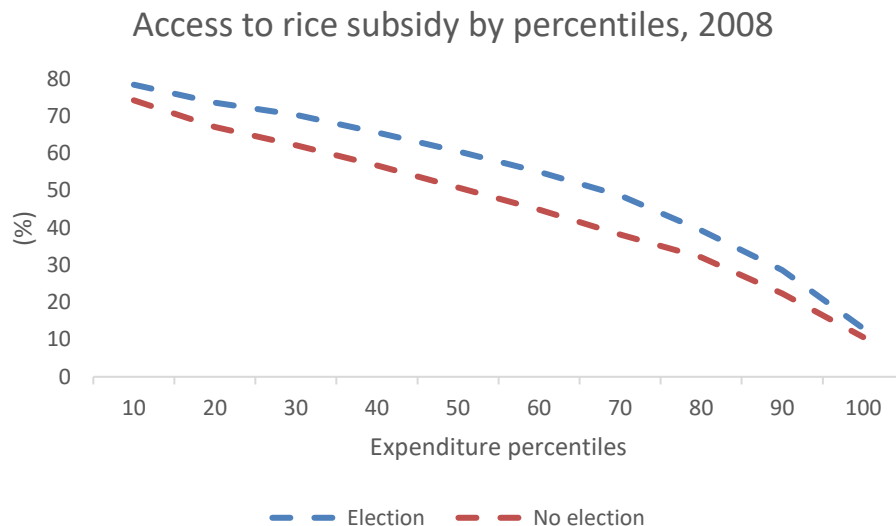


Figure 5.21 Access to Rice Subsidy by Percentiles, 2008

Another important factor that differentiates the rice subsidy from health care is that there was no known local initiative to replicate the programme. Instead, local governments relied only on the discretionary decision of community heads regarding the equal distribution of rice. The decision to redistribute the rice allocation has been acknowledged to effectively avoid or mitigate conflicts within society. However, this temporary decision was deemed as disruptive with regards to the improvement of targeting mechanisms. In this situation, the national logistics office (*Badan Urusan Logistik*, BULOG) and other responsible agencies had somehow eventually relented to the community leaders' demands. Therefore, with the involvement of stakeholders at the local level, who are mostly lacking in capacity and limited resources, the distribution of subsidised rice had become prone to patronage or 'clientelism'. As democratic values in Indonesia have not been inculcated deeply, these disruptions were believed to hinder democratic progress. In this adverse situation, local elections were impaired by a form of vote buying practice through the distribution of SP benefits.

5.3 Political Affiliations

Whilst democratisation in Indonesia has deepened for the last decade, it is still a long way from attaining perfect conditions for local democracies in Indonesia to grow. A case in point is that elections at the local level have been fraught with problems. An analysis of voter motivation and behaviour in the 1999 and 2004 presidential elections showed that voters were primarily motivated by their support for particular leaders and the strength of their identification with political parties (see for instance D. Y. King, 2000; Mujani & Liddle, 2010). Yet elections after 2009 showed different patterns which point to the increased role of media campaigns and the programmes offered by parties.

Therefore, this raises the question of the extent to which the existing local politics might affect SP effectiveness. One valid argument proposed is that political influence mostly uses largesse or entitlement as an instrument to gain turnout or votes during the campaign. This strategy often ignores important steps regarding programme design and its details.

This section will discuss whether certain political parties or ideologies dominate the process in shaping SP at the local level. On top of ideological perspectives, the context of local democracy is closely connected with informal networks and familial relationships. Therefore, it can be said that there is a clear pattern of politics involving various social aspects. However, in the Indonesian context, there is no clear distinction or association of one party platform (or manifesto) with a certain ideology. In the era of the New Order, all parties need to uphold *Pancasila* (The Five Principles) as basic values which blur the identification of those parties. As mentioned in Section 2.2.3, Suharto used these principles as the official ideology to suppress all other ideologies and beliefs in Indonesia. In effect, all organisations, including political parties, must forego their ideologies in favour of *Pancasila*.

Although clearly every party tends to have their typical constituents, categorising them is still difficult. With around 48 political parties in 1999 (in 2014 it reduced to 15 parties). A large number of parties often blend religious and ideological messages. In short, from the beginning of the democratic era to this present day, many parties are largely personal vehicles for wealth and powerful politicians. Still, several analysts attempt to simplify categories of ideology into secular and Islamic parties (for instance, see Bulkin, 2013). This simplistic view is useful in helping external viewers to put the ideological rivalry into context, yet it misses greatly the range of pragmatism that is present.

Many scholars have acknowledged the spectrum of characteristics within 'Islamic' parties; some of them still maintain a conservative outlook whilst the rest seem to take more progressive and moderate stances. A unique pattern of political Islam in Indonesia has been the focus of various analyses. Baswedan (2004) highlighted the transformation of patterns in Islamic parties by distinguishing at least three types, i.e. Islamist, Islam-inclusive, and secular-inclusive. His analysis also acknowledges the influence of pragmatism among parties after 1998 in garnering Muslim aspiration, in contrast with pure philosophical underpinnings of similar parties in the 1950s.

The problem of identification occurs also in categorising other ideological perspectives using classical notions. It is highly problematic if one attempts to use Western classification, i.e. left-wing versus right-wing. In most references, left-wing politics is typically defined as positions or activities that accept or support social equality and egalitarianism, often in opposition to social hierarchy and social inequality. Taking into consideration Indonesian politics, left-wing views are largely compatible with communism (banned since 1966), socialism (hardly exists, due to communism ban), and *marhaenism*

(simple translation renders and correlates to ‘proletarianism’, conceived by Sukarno in the 1940s in pursuit of authentic populist Indonesian ideology). Parties that fit into this description are PDI Perjuangan, Hanura, Gerindra, and the likes of Partai Buruh, PNBK, PNI Marhaen, among others.

On the other hand, right-wing politics typically resonates with ideas, political positions, or activities that view some forms of social stratification or social inequality as either inevitable, natural, normal, or desirable. This view is mostly supported by strong networks of businessmen and their loyalists. Undeniably, this principle fits well with several parties including Golkar (used to be Suharto’s prime vehicle from early 1970s) and ironically, Partai Demokrat (founded by Susilo Bambang Yudhoyono, the 6th president of Indonesia). Others like Nasdem, Hanura, and PKP belong to this category.

Within ‘Islamic’ parties, grades of conservativeness, inclusivity, and ‘Islamicising’ motives could be important as identifying factors. Hence, two types of Islamic parties emerge, i.e. pluralist and Islamist. Pluralists rely on the support of mainstream Islamic organisations (*Nahdlatul Ulama* and *Muhammadiyah*, which formed PKB and PAN respectively) and use Islamic symbols but do not necessarily promote Islamic law (*shari’a*) agendas. Thus, in the view of pluralists, a formal ideological basis of the state is a religiously neutral ideology (*Pancasila*), not Islam. While not ideologically Islamic, religious identity is nonetheless a primary factor in their electoral support and most are embedded in particular sections of the Muslim community. In addition, being an inclusive party enables pluralist to attract potential voters and candidates, not only in Muslim-majority regions, but also in places where non-Muslims are the largest constituent (especially the case in the Eastern part of Indonesia).

By contrast, Islamist parties formally proclaim an Islamic identity and seek, to varying degrees, to apply Islamic law more extensively in politics and society. Characteristic gradations for political parties of this group propose that Islam replace or at least complement national ideology. In other words, all Islamist parties list Islam as their ideological foundation and many have policies for greater *shari’a* implementation. The distinction between pluralist Islamic and Islamist parties is important because it indicates the type of politics which the various parties are likely to engage in.

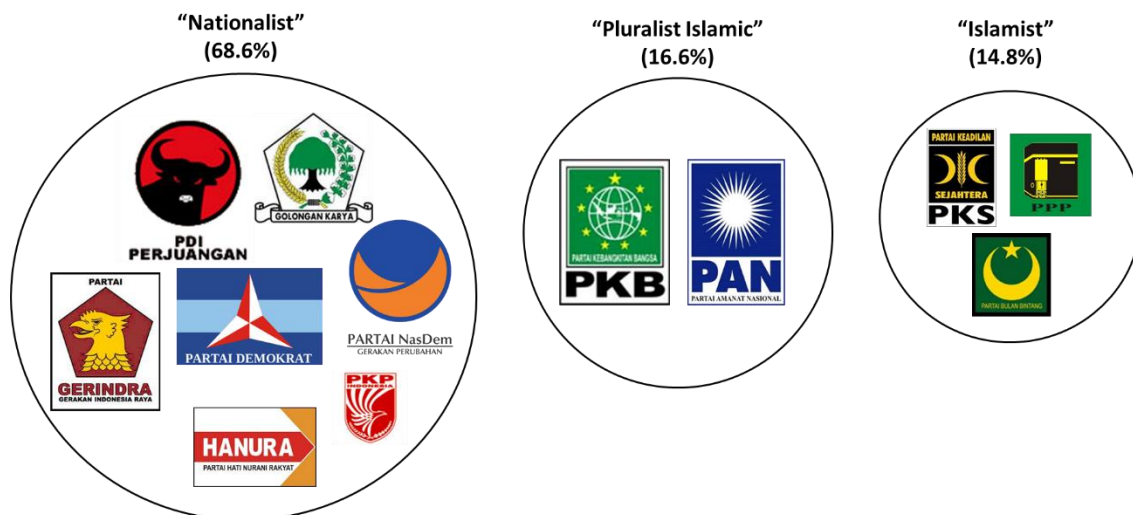


Figure 5.22 Simplification and Grouping of Party Ideologies (from the latest election, 2014)

Figure 5.22 attempts to simplify ideological groupings as mentioned in their core values (as perceived by Fealy 2008). Although this aggregation might not be adequately reflective of true values and at times has been eclipsed by a high degree of pragmatism, it certainly helps to build a correlation between types of ideologies with the extent of 'benevolence' in every province.

As depicted in Figures 5.23 and 5.24, it is very tricky to establish true causality between ideologies and 'benevolence'. Each graph is divided into four quadrants which roughly reflect its degree of SP disbursement and fiscal capacities (measured by GDP per capita) for all provinces respectively. In 2001, when the decentralisation law had been enacted but the push for democratisation had not yet been initiated, there were only two dominant parties in 33 provinces. PDI Perjuangan and Golkar (both claim the majority of seats in the legislature) apparently took hold in most provinces, whilst smaller parties such as PPP and PKB managed to control Aceh and Jawa Timur, respectively.

From a different perspective, both charts also indicate the vagueness of ideologies within political parties, and to a large degree cannot be dissected using authoritative frameworks, for example like the hypothesis from Huber and Stephens (2001) that the incumbency of left-wing parties is associated with: (1) overall expansion of the public economy driven by the public provision of social services; (2) the 'decommodifying' effect of welfare state provisions; and (3) redistributive effects, as indicated by the post-tax, post-transfer income distribution, and the redistributive effect of direct taxes and transfers.

Limited aspects of democratisation might be influencing the patterns of SP spending. People still voted for their local leaders indirectly and the machinery of political parties held overall decision making processes significantly. Therefore, the impetus for using largesse (SP benefits) to attract potential voters might not yet prevail in the early period of decentralisation.

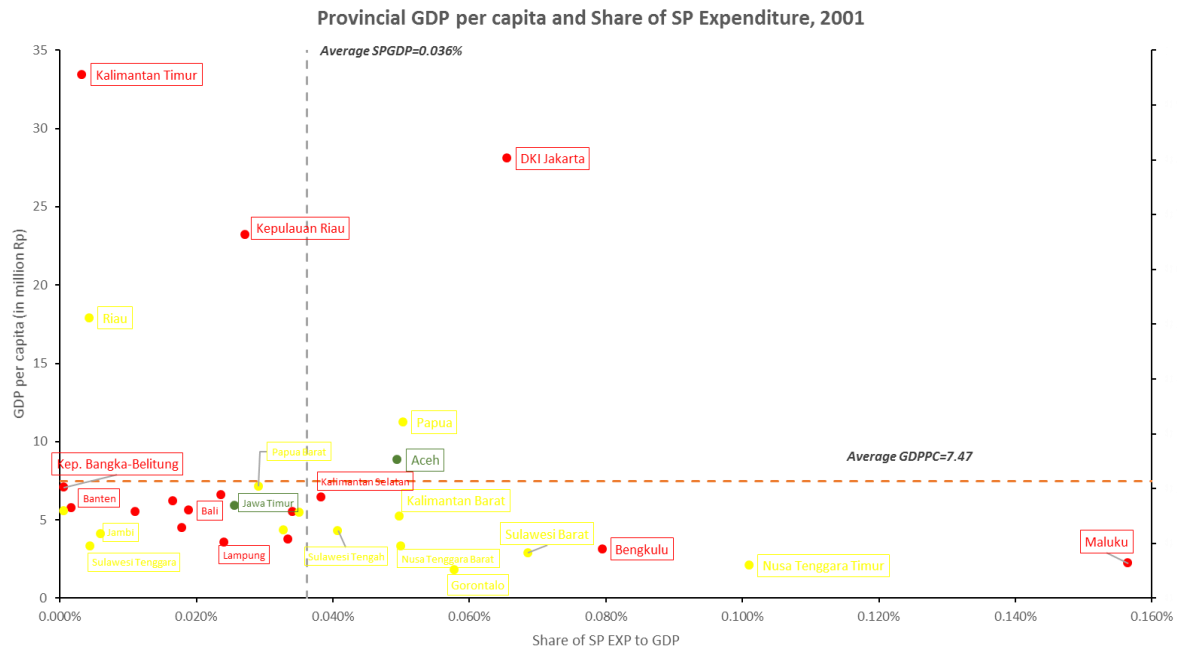


Figure 5.23 Provincial GDP pc and Share of SP Spending (cross-tabbed with ruling parties), 2001

By superimposing Figure 5.7, the above chart aims to find the relationship between fiscal capacity, share of SP budget, and ruling ideologies (political parties). Using colour-coded plots to show different incumbent political parties, there are clearly only two dominant parties: PDI Perjuangan (under the leadership of Megawati) and much reformed Golkar (formerly controlled by Suharto), represented by red and yellow dots respectively. Other colours (dark green and green) represent PKB in its bulwark region, Jawa Timur and PPP in the strictly-religious province of Aceh.

Although there were 48 parties participating in the 1999 election, only 28 managed to obtain significant votes and were eligible to send legislatures in the House (garnering minimal votes of two percent threshold). However, the election results only paved the way for PDI Perjuangan and Golkar in almost every province. Most parties were established only after Reformasi (May 1998) and might need some time to consolidate. PDI Perjuangan (a spin-off from PDI, existing opposition party formed by Suharto) had been anticipating free and fair national-level elections from 1996 (when Megawati became the *de facto* leader). While for Golkar, although the image of the party had been tarnished with corruption scandals and the resignation of Suharto, the party was able to recover public confidence.

Figure 5.23 shows Golkar rule in regions where GDP per capita is sub-par, whilst PDI Perjuangan appears to control provinces with sufficient fiscal capacity (here shown in quadrants 1 and 2). Yet, most regions fall below quadrants 3 and 4, which indicates lack of fiscal sustainability. In these groups, PDI Perjuangan and Golkar control a similar number of provinces (each manage to hold power in 12 provinces). However, close examination of quadrant 4 (where regions are most benevolent albeit with

low fiscal space) shows that Golkar rules most (six provinces) compared to PDI Perjuangan (only three provinces).

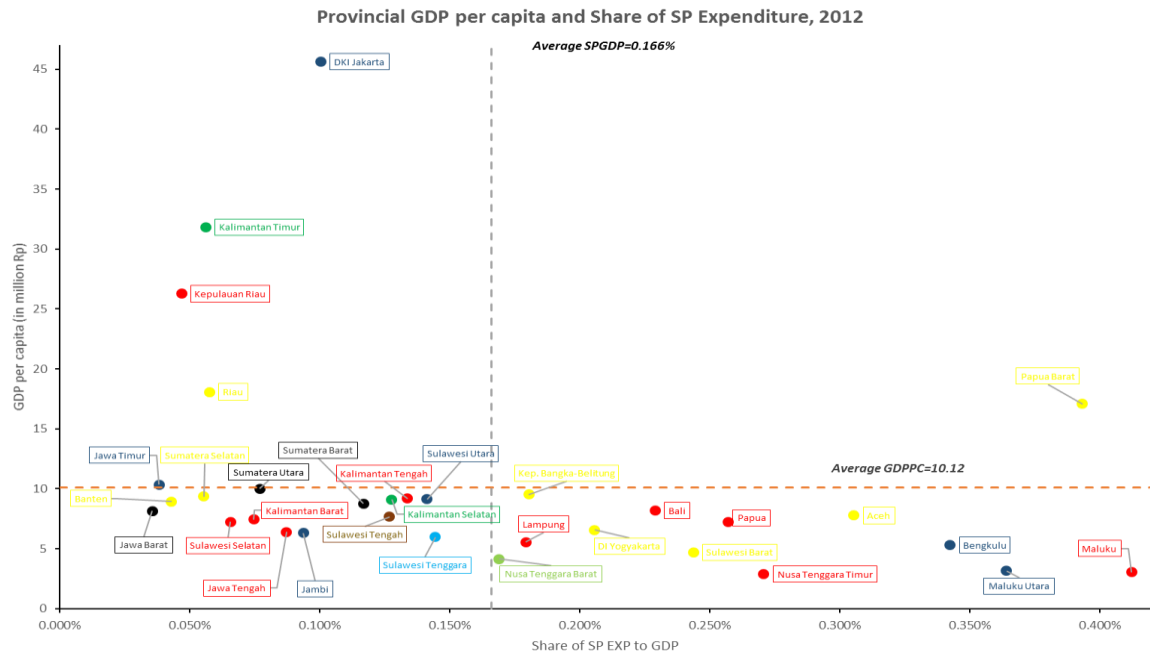


Figure 5.24 Provincial GDP pc and Share of SP Spending (cross-tabbed with ruling parties), 2012

Figure 5.24 gives a totally different image of the political situation at the provincial level. The main factor influencing these dynamic changes is arguably the introduction of direct election, implemented effectively from June 2005. The domination of PDI Perjuangan and Golkar then reduced substantially with the emergence of new potential parties such as PAN and PKB (from pluralist Islam group) or PPP, PKS, and PBB (from Islamist group). Colour-coded dots in this period show more colours, yet they do not convey clearly the correlation or pattern of certain parties in specific quadrants. Provinces with sub-par fiscal capacity are still dominant, indicating regional inequality. PDI Perjuangan seems to show slight dominance in quadrant 1 (the poorest and the least benevolent) and quadrant 4 (the weak fiscal but high SP spending). Golkar follows suit while other parties begin to take hold in a number of regions. It is important to note that parties often build coalitions which may vary throughout regions depending on the local political scenario. It is also not uncommon to have local elected leaders come from different ruling parties of most legislatures.

More compelling is the fact that this image conveys a message that political ideologies might not significantly correlate with the degree of fiscal capacity or SP spending at the provincial level. It is suspected that pragmatism might be the major influence. Another meaningful hint can be traced to the impact of direct election which turns public attention to the figures or *persona* rather than political party or abstract ideology. Post-transition euphoria that began in 1998 had unquestionably elevated political parties as champions of change and hope. Yet, the situation had been completely reversed

less than a decade afterwards. Various opinion polls suggest that parties invariably topped both the list of the most corrupt political actors and the rankings of the least trusted public institutions. This phenomenon is substantiated by the sheer drop in Indonesia's party identification (ID) index from 86 per cent in 1999 to less than 20 per cent in 2012 (see Table 5.10).

Fortunately, the sense of cynicism and disdain towards political parties does not necessarily transform into apathy as the public now begins to put more attention on potential candidates, particularly those who run for executive positions at the local level (heads of districts and municipality.) The transformation of Indonesia's electoral system from a purely party-based to a candidate-driven process also helps to retain public participation and somehow manages to maintain a decent turnout during the election. This situation is expected to counter the deeply entrenched *aliran*-based politics¹⁶ (Kahn, 1978). However, this trend of a strong presidentialist and personality-driven organisation without strong roots in one of the country's main socio-religious communities will undoubtedly exacerbate the situation where public disappointment is high.

The downfall of party reputation has been a perennial topic reflected in Western scholarship. It has been dominated by two powerful streams: the party institutionalisation and cartelisation schools (Mietzner, 2013b). The former argues that Indonesian parties are poorly institutionalised, mostly because they are dominated by elitists, cashed up, and self-interested leaders, who deliberately neglect building relationships with society. Cartelisation scholars, on the other hand, claim that Indonesian parties have ceased to compete, instead forming a cartel that focuses exclusively on exploiting the state's resources.

Overall, then, it is quite difficult to find strong indications that Indonesia's party system has 'deinstitutionalised' since 1998. Measured against classic institutionalisation criteria, post-Suharto Indonesia has either performed well or followed international trends. The effective number of political parties has declined, electoral volatility is down, and voter turnout has stabilised at levels considered healthy for a young democracy. Throughout the 2000s, more citizens have been active in political parties in Indonesia than in most of its East Asian neighbours, and in contrast to the majority of developed democracies, the country has apparently recorded no decline in this regard. Most importantly, support for democracy has remained high, and so has the confidence in the fairness and effectiveness of elections.

¹⁶ *Aliran* can be inaccurately translated as 'political cleavage', as firstly suggested by Geertz in 1960.

Table 5.6 Party ID in Indonesia, 2004-2012

<i>Month/Year</i>	<i>Party ID/%</i>
1999	86
March 2004	50
June 2004	54
November 2004	39
January 2005	49
July 2005	30
January 2006	23
December 2006	19
July 2007	20
October 2008	10
July 2009	18
October 2009	19
March 2010	19
May 2011	20
October 2012	14

Source: (Edward Aspinall & Mietzner, 2010; Lembaga Survei Indonesia, 2009)

5.3.1 Political Budget Cycle for SP

Empirical evidence that supports the notion of political budget cycle or alternatively mentioned as ‘political business cycle’ (PBC) can be frequently found in countries with early implementation of democracy, while there is much less evidence in mature democratic countries (Brender & Drazen, 2003, 2005; M. Shi & Svensson, 2006). Specifically, the literature on PBC in industrial democracies has robustly documented that elections have a direct effect on government spending patterns, especially in young democracies like Indonesia (J. de Haan & Klomp, 2013; Drazen & Eslava, 2010).

In this thesis, the analysis on PBC is focused largely on the behaviour of incumbents who aim for re-election or to support other candidates with similar interests. This approach proposes that the electorate votes retrospectively, leading voters to condition their votes on incumbents’ performance while in office. Although this approach has traditionally been applied to studies of fiscal policy, the

same logic may extend to policy implementation: assuming voters will reward elected officials for effectively implemented policies, incumbents have an incentive to target their constituents more intensively and accurately as possible when running for re-election.

As mentioned in previous parts of the study, the early implementation of electorate democracy in Indonesia is still marred by issues on corruption, vote buying ('money politics'), and entrenched patronage relationships (Edward Aspinall & Mietzner, 2010; Blunt, Turner, & Lindroth, 2012; V. Hadiz, 2010). In order to obtain votes and gain loyalty, candidates often persuade potential voters (electorates) by giving away cash and other goods (food, clothes, or souvenirs) at rallies. Candidates usually maintain the connection with their voters through donation during election time and after winning the election (Simandjuntak, 2012). Generally, the resources for these transfers are off-budget and illegal (Mietzner, 2011) but there are indications that some of these practices might be financed from local budget.

Within the context of imperfect local democracy, patronage is usually taken into account in political calculation, particularly where election allows close (and frequent) contacts between candidates and potential voters. Traditional patron-client relations are sustained and legitimated by perceptions of personalised power and by political adherence exemplified in religious and cultural values. Patrimonial systems require a leader to supply security and protection for his or her followers. This in turn is recompensed by the followers' passive loyalty. In addition to protection, however, leaders in contemporary patrimonial systems provide material resources for their followers, which the latter repay with active political support.

The following section aims to detect the existence of the PBC specifically for SP expenditure at the provincial level. This is done in order to find the connection between local politics, signified by election for local leaders and legislatures, and the amount of SP expenditure disbursed in a region. The analysis in this study largely follows the research from Sjahrir et al. (2013) which shows significant budget cycles in the first direct elections in Indonesia at the local level in the spending category that the district head has discretion over, especially if he or she is running for re-election.

5.3.2 Data and Identification

In order to observe the significance, importance, and direction of variables (both endogenous and exogenous) in this research, I create an unbalanced panel data set compiling SP expenditures for 33 provinces during the period 2001–2012. The total SP expenditure for every province is treated as an endogenous variable, whilst this research proposes the use of the following model:

$$\text{SPEXP} = f(\text{GDPCP}, \text{REV}, \text{MORB}, \text{NER}, \text{NPOV}, \text{IPOV}, \text{UNDEMP}, \text{INEQ}, \text{ELEC})$$

This model is mainly based on provincial budget accounts and data for social-economic variables from 2005 (from the commencement of direct election) to 2012 (the latest data available). Mainly, most of the variables are housed in the INDO-DAPOER data set organised by the World Bank. It compiles a wide range of variables from official resources of different agencies in Indonesia (see Table 5.11 below).

The primary reason in using SP expenditure is to choose the most representative proxy that allows us to disentangle administrative expenditure from the discretionary transfer components. Despite convoluted nomenclature in the local budget accounting standards, the fund under SP spending is almost invariably used as sources of largesse (benefits). This thesis hypothesises that incumbents raise their discretionary transfer funds in election years to donate to beneficiaries encompassing vulnerable households, individuals, religious and/or social institutions or activities such as places of worship, society groups or sports, in order to increase their popularity. In some cases, they channel these funds to finance their campaign activities. These discretionary funds, which can be spent relatively freely in contrast to other items, are budgeted as donation (*hibah*) or social assistance (*dana bantuan sosial*) under administrative expenditures, subcategory 'others'.

Table 5.7 Detailed Chosen Variables

Variable	Description	Source
SPEXP	Social Protection expenditure	World Bank's INDO-DAPOER
GDPCP	GDP per capita	World Bank's INDO-DAPOER
REV	Total local revenue	World Bank's INDO-DAPOER
MORB	Morbidity rate	Ministry of Health
NER	Net enrolment rate for Junior High Education	Ministry of Education/Statistics Indonesia
NPOV	National poverty rate	Statistics Indonesia
IPOV	International standard poverty rate	World Bank's INDO-DAPOER
UNDEMP	Under-employment rate	Statistics Indonesia

Variable	Description	Source
INEQ	Inequality (Gini index)	Statistics Indonesia
ELEC	Local election, dummy (start from 2005)	Election Commission

Exogenous variables are chosen under consideration that these are reflecting current socio-economic status ranging from economic variables, education, health, employment, and inequality. Dummy variables are set on the periods of gubernatorial election in every province. These indicators are taken from various sources. Local budget data sets are taken from the World Bank's INDO-DAPOER, health and education variables are from relevant ministries, economic variables are the domain of the Statistics Indonesia while periods of elections are taken from the election commission.

Prior to model construction, it is essential to check whether variables are fit for further analysis. Firstly, stationarity is observed closely and SP spending (in logarithmic format) is neither suspected of increasing nor decreasing with all variables in the proposed model (see Figure 5.25). Therefore, having no stationary variables avoids the danger of spurious regression in the estimation analysis.

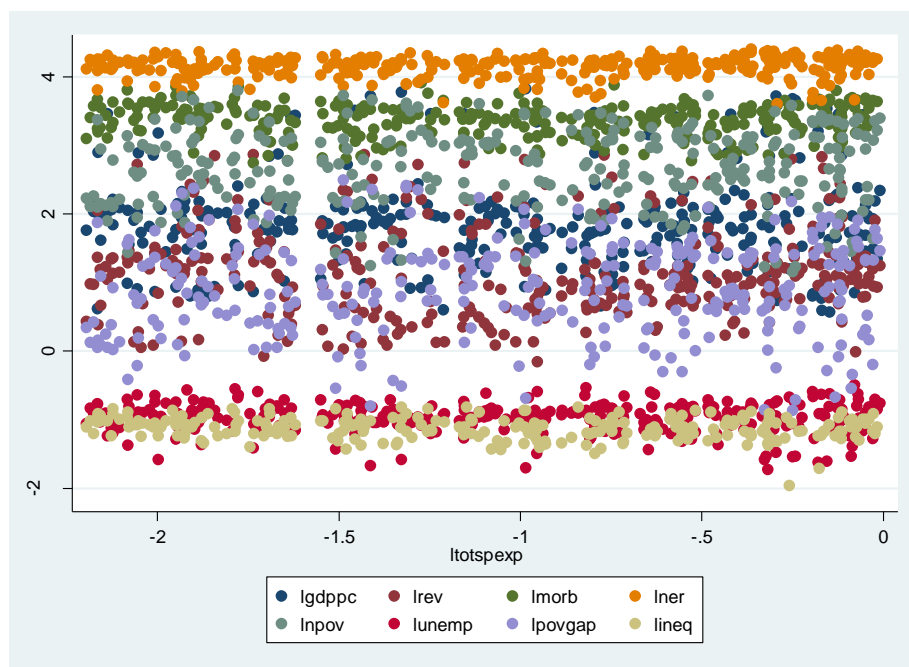


Figure 5.25 Stationary Check

As the local elections were held in different years, incumbents in different provinces finish their term at different times, meaning that some provinces will hold the event more than once. From 2005 to 2012, all provinces have already had their direct elections (see Figure 5.26). Early implementation of direct elections in 14 provinces (five in Sumatera, one in Java, two in Kalimantan, four in Sulawesi, and

two in Papua) allows these regions to have elections twice. The other 18 provinces only managed to run elections once. One province (Yogyakarta) does not hold direct elections for the governor position because the Sultan (the highest position in the royal family) is automatically appointed as governor, referring to the Special Status Law No. 13 Year 2012.



Figure 5.26 Frequencies of Direct Elections (Provinces, 2005-2012)

Following their readiness mainly in terms of logistics, direct elections in different provinces commenced in different years. The earliest ones (in 2005) were held mostly in outer Java. In the following year, more provinces hold their maiden direct elections, including westernmost Aceh and far eastern Papua. Subsequently, in 2007 and 2008 all provinces but Yogyakarta¹⁷ had completed their maiden gubernatorial elections. With this situation, incumbents in different provinces finish their terms not at the same end periods. This condition is prone to create PBC.

Related to these staggering (non-simultaneous) direct elections, government have been starting to re-arrange the schedules for all direct elections gradually from 2015 onwards, so that Indonesia is expected to hold simultaneous elections for presidents, local leaders, and legislatures at both central and local levels in all provinces and districts by the year 2029.

¹⁷ Yogyakarta is the only province where there is no gubernatorial election. Underpinned by historical background, in 1945, Sultan Hamengku Buwono IX was the first royalty in formerly Dutch East Indies to pledge the allegiance only for Indonesia, and Sukarno return his favour by granting Sultan a sovereignty to maintain the structure and governance of the kingdom (*keraton*). This is stipulated in Law No. 12 Year 2012. Despite many attempts to cancel this regulation, central government today still acknowledges and appoints Sultan Hamengku Buwono X and his descendants as governor and Adipati Paku Alam (and his successor) as Vice Governor.

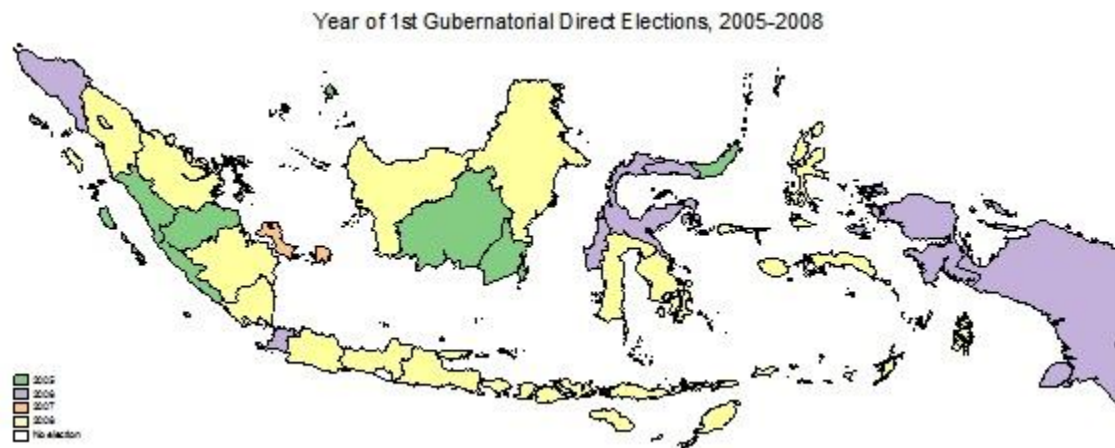


Figure 5.27 First Year of Gubernatorial Election

Panel data in this research is basically unbalanced as provinces have continued to split throughout the period. As provinces built up their administration, we expect capital investment to be exceptionally high and staff expenditure to soar since people need to be hired. Not all incumbent district heads are seeking re-election, partly because they are completing their constitutional limit of two terms at five years each, and partly for other reasons (e.g. running for presidents or other public positions, criminal investigations, retirement). These incumbents have little inclination to increase election year spending because of their weak affiliation with potential successors. As this research covers only the first two elections at most, it is expected that incumbents are very likely to run for re-election.

Table 5.12 reports the results for total SP expenditures for two different models; for our preferred model 2 we additionally include dummies for direct elections. Our first model (without dummy variables) shows a significant positive correlation of the increase in SP expenditure with the increase of local revenue, education, inequality, and health. While for the second model, it shows high degree of correlation with local revenue and yearly dummies from 2009 to 2012. This indicates the strategic use of the discretionary parts of provincial budget in the latest election years.

Table 5.8 Political Budget Cycles in SP Spending

	Model 1 b/se	Model 2 b/se
lgdppc	-0.069 (0.09)	-0.221* (0.09)
lrev	1.106*** (0.06)	0.952*** (0.07)
lmorb	0.531** (0.20)	0.228 (0.23)
lner	1.128*** (0.30)	0.710* (0.30)
lnpov	0.535 (0.32)	0.062 (0.34)
lunemp	-0.011 (0.23)	-0.349 (0.23)
lpovgap	-0.240 (0.24)	0.223 (0.26)
lineq	1.524*** (0.26)	0.523 (0.32)
year=2002		0.000 (.)
year=2005		0.176 (0.16)
year=2007		0.146 (0.18)
year=2008		0.379* (0.18)
year=2009		0.728*** (0.18)
year=2010		0.668*** (0.19)
year=2011		0.868*** (0.20)
year=2012		0.799*** (0.20)
Constant	-14.334*** (1.67)	-12.158*** (1.70)
R-sqr	0.706	0.750

This model shows that there are significant budget cycles in the first round of direct elections in the category that the governor has discretion over, especially if he or she is running for re-election. This finding suggests a more disaggregated approach to PBC as we could not detect any significant correlation with other typical socio-economic indicators. This can be explained by the likely situation that local welfare has been improved over the periods before the direct election. An alternative interpretation is that incumbents do not take into account welfare variables as the focus might be on the disbursement towards the end of administration. The reason why PBC could not be found in the early elections, unlike in some other young democracies, is partly because political actors were still in the process of adapting to the new system. Another potential factor is that the use of SP might not yet be perceived as an effective instrument until later when the central government launched a variety of SP programmes in the regions.

5.3.3 The Impact of Local Direct Election on SP

Whilst the previous section discussed the presence of PBC in SP spending during direct elections, this section focuses on the correlation between factors that are highly likely to influence SP spending at the local level. Considering the results on panel data regression, the factors that are chosen to observe are local revenue and GDP per capita. Here, total SP spending (including health and education budget) is used instead of targeted SP spending that is previously used in the model. Using this wide (composite) variable,¹⁸ the budget size is intuitively multiplied and it is expected that local leaders use the increased fiscal space to create wide variety of SP programme. The budget for the education sector in Indonesia is unquestionably tremendous and is regularly increased, especially after the amendment of the Constitution which clearly stipulates that a minimum of 20 percent of the state budget is allocated for education (Article 31 Section (4), amended on 2002).

Similarly, the budget for the health sector has been experiencing a dramatic increase, particularly after the commencement of universal health coverage (*Jaminan Kesehatan Nasional*) in January 2014 which attempted to expand existing coverage as a follow up of previous Jamkesmas. Currently, it is estimated that around 5 percent of state budget has been spent to defray health expenditure. Both education and health expenditure are combined together with targeted SP spending, to represent a wider definition of SP targeted towards citizens.

The left-hand side panel on Figure 5.28 depicts correlations between SP spending and local revenue (both in logarithmic forms). The graph clearly shows that a positive correlation exists between these variables, both for election and non-election periods. Meanwhile, the panel on the right displays a positive but not so significant relationship between SP spending and GDP per capita particularly in the no-election period. These two panels point towards a proposition that election periods correlate with the pattern of SP spending which also substantiates previous findings (Figures 5.13 to 5.24). Therefore, it is argued that, although key policy challenges remain, local district leaders are very likely to respond to the electoral incentives introduced with the implementation of local direct elections.

¹⁸ Due to the absence of detailed accounts, budgets for health and education in this analysis encompass a large portion for the administrative component, including salary for personnel. Hence it might not reflect the true sense of SP which stresses on the direct transfer of benefits.

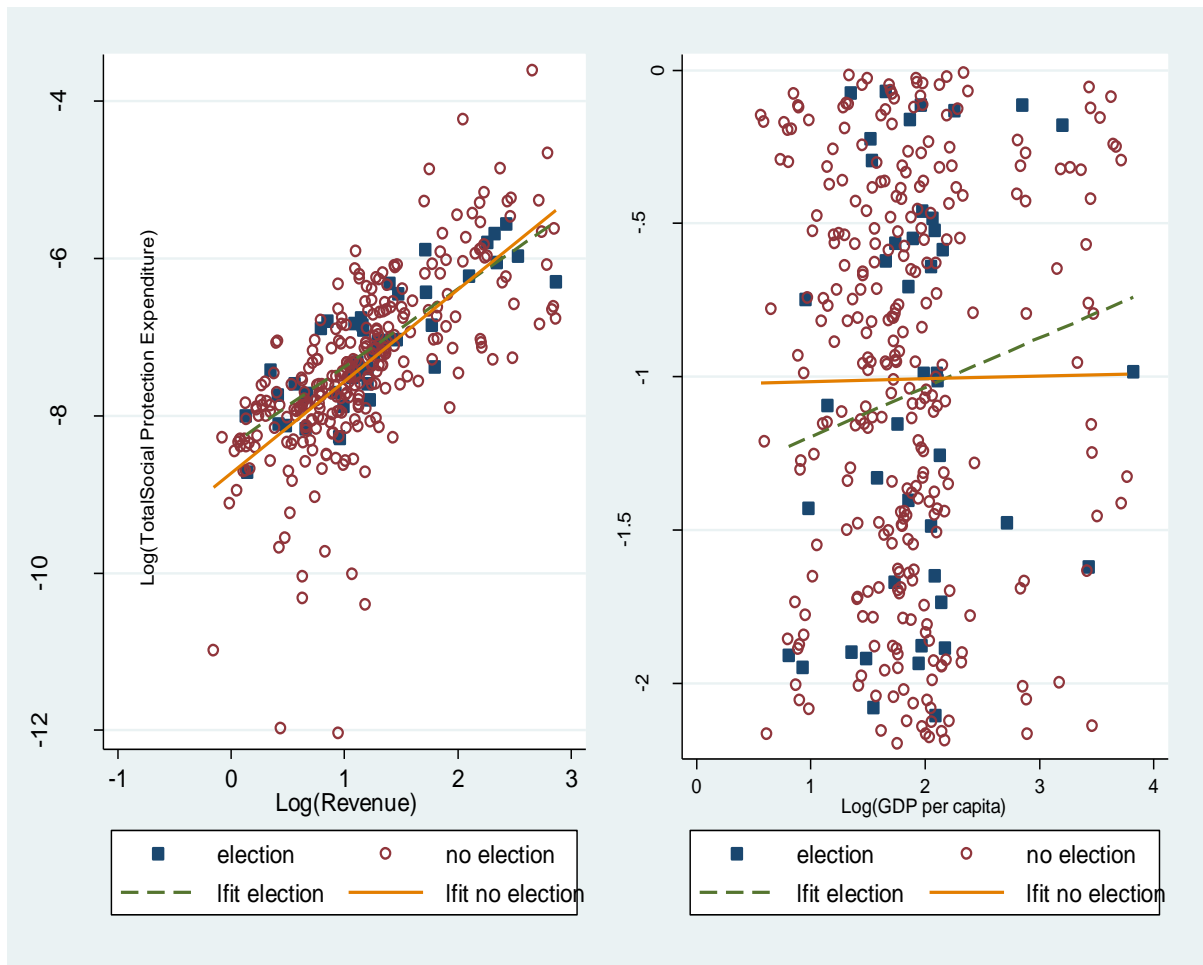


Figure 5.28 Correlation of SP Spending with Local Revenue and GDP pc

Echoing the previous findings, this section further develops the argument that electoral incentives introduced by direct elections may change the behaviour of elected local officials. Local capacity as represented by GDP per capita seems positively significant yet is rather insignificant compared to the transfer-SP spending correlation.

The implication of this evidence is that government transfer occupies an important place in determining the size of the SP budget, particularly more so during election years. This finding implies that provinces with significant size of transfer allow leaders to roll out SP during elections, allegedly to retain popularity. A less significant relationship between local GDP per capita and SP budget may be that well-off provinces might not need SP-like programmes.

This finding leads to further elaboration on the possible spatial or 'neighbourhood effect' of SP. Regions with a sizable SP budget might attract citizens from the surrounding vicinity to utilise the programmes. The main problem is that GDP per capita data does not take account of regional cross-border transactions. Hence, to approximate the regional standard of living, a number of researchers employ the Human Development Index (HDI), which is widely regarded as a comprehensive index and

combines measures of health, education, and income or expenditure. According to a study by Vidyattama (2013), regional convergence does exist, though with the decreasing rate.

As the disputes on the distribution of intergovernmental transfer are not yet resolved, they might lead to exacerbating inequality between regions. Variants of SP programmes might be relevant in regions where poverty and inequality are still rampant, however these regions are almost invariably lacking in terms of fiscal capacity. This situation will create a dilemma for elected leaders who aim to attract potential voters by offering generous SP.

5.4 Summary

This part of the thesis has explored the implementation of SP in relation to several factors including the nature of inter-governmental transfer, local politics, and types of SP at the provincial level. Among these categories of analysis, each one shows distinctive impact on SP coverage and possibly also its benefits. Chief among these is the impact of local politics within the context of deepened democratisation. Direct election has shown significant impact on the size of disbursed SP. This finding, while being intuitive, is also in line with Fossati (2016b, 2016a) who argues that in years when local elections are held, low-income households are targeted more accurately, suggesting that electoral incentives for local elites may increase access to social services among the poor.

Panel regression analysis in this part also suggests that among the most important variables that are significant in the model is not only direct election but also intergovernmental grants. Interestingly, the local economy (as measured by GDP per capita) does not clearly exhibit meaningful impact. Rather, the amount of transfers from central to local government matters most. Socio-economic indicators do not appear to be significant explanatory variables. This implies that local candidates are sensitive mostly only to short-term targets (benefits during election periods), dismissing the actual problems that require a long-term solution for the sustainability of SP programmes.

This chapter also suggests that the current formula for intergovernmental transfer needs to be revisited, as conveyed in the early part of this chapter. Cluster analysis provides hints of unequal distribution with four distinctive groups pointing to regressive impact on socio-welfare. The result suggests that the current transfer formula largely does not have significant distributional effects. Instead, it points out a heavy degree of transfer polarisation towards Java and a few parts of Sumatera. Variables to determine transfer need to encompass multiple dimensions of socio-welfare needs. More importantly, components of direct transfers (SP programmes) can be introduced to address certain local issues.

Chapter Six: Micro-Qualitative Analysis: A Case Study of Two Selected Locations

6.1 Introduction

This chapter concerns the qualitative analysis carried out using case studies in two selected locations (a district and a municipality) in Central Java. Using a micro-perspective, the aim is to complement the previous chapter on the quantitative analysis in order to attain a complete picture of the links between decentralisation, democratisation and SP. In this regard, all data is collected by conducting in-depth interviews with stakeholders in both regions. Interviews are guided by semi-structured guidelines on series of occasions, in formal or informal ways.

Depictions of sites and simple ethnographic narration are used to enrich the analysis so that it can place the qualitative analysis into context correctly. Therefore, this chapter explains not only the interview process involved in soliciting the information required, but also gives thorough illustration of the situation where fieldwork was undertaken.

Given that the research design involved mixed methodology (explanatory type), qualitative investigation in this thesis was performed after the results of quantitative analysis (using secondary data) were obtained. Therefore, all aspects in this qualitative phase are to a large extent influenced by the results of prior quantitative analysis.

6.2 SP Programme in Sragen and Surakarta during the Decentralisation Period

This part briefly summarises programmes in Sragen and Surakarta which are categorised under social protection (SP). The scope of the analysis spans from the enactment of decentralisation until the present day. Several innovations can be found in many regions but only a handful that stand out. Most of these programmes were deemed unsustainable and only a few of them can be maintained after regime change. Noticeable is the proliferation of SP programmes approaching the election dates.

Despite a number of locally-initiated SP programmes, most of the social transfer programmes had been funded and administered by central government. Chief among these is household cash transfer programme which from its inception in 2005 until present day has been managed by the Ministry of Social Affairs and other supporting institutions. In this nation-wide programme, the role of local government is equally important. While the quota for beneficiaries is strictly defined by the central government (through census by Statistics Agency), local governments at times manage to append significant recipients with the local funding. The contribution of local stakeholders is to some extent

meaningful in shaping policy. Public participation is undeniably pivotal in guiding the policy to meet the actual needs of the public, and more importantly towards empowerment activities.

However, some of these local versions of SP programmes had begun to make inroads into the national one. For example, the method for defining beneficiaries that was designed fully by the central statistics agency was many times disputed or even rejected by local authorities. At another time, local authorities attempted to outweigh the size of benefits disbursed by the national SP programme without careful calculation. The budget for the SP programme often encompasses activities which have no relationship with the welfare improvement agenda. For instance, honorariums and fees to support SP programmes are almost always embedded in the same budget account.

6.2.1 SP Programme in Sragen

At the beginning of the decentralised era, local governments still rely heavily on the central government. This also includes initiatives which always waited for the decision of the central government, and due to strict budget allocation. At least, there were only a handful of innovative policies during the first five years after the enactment of the first decentralisation law. Lacklustre performance and a lack of innovation in the early decentralisation period occurred mainly due to the adaptation process and the fact that most of the revenue was still controlled fully by central government. Sragen is the regency where natural resources are not abundant, such that the cash-strapped region only managed to tinker with insignificant policies.

During the New Order era, local agencies in Sragen had acted as implementers of policies designed by ministries. Not many proposals from regions could be conveyed let alone fulfilled. At that time, the central government focused on economic policies to foster growth and maintain purchasing power. Therefore, concepts of social policy were never discussed. Instead, attention towards agricultural productivity dominated the discourse and was considered relevant to the situation in Sragen where the majority of citizens worked as farmers.

The situation abruptly changed right after the improvement of regulations on government transfer in 2004 and the commencement of direct election in 2005. To a large extent, this amendment which brought larger sums of fungible funds allowed local leaders and candidates offer a breakthrough on many backlogged matters. Most notable among these advanced policies is the simplification of business licence applications, especially for local small entrepreneurs. This move promptly increased the ease of doing business in Sragen while at the same time also reducing the infamous red tape. Other policies that in the previous administration seemed ambitious and nearly impossible, due to the limited available budget, began to circulate in political campaigns.

In spite of much progress in various sectors, Sragen still lacked the provision of basic infrastructure. Simultaneously, limited funds held back development. Therefore, given this situation, the Sragen regency decided to prioritise improvement in business licensing in order to attract more private investment, and to increase local revenue substantially. This strategy in boosting local investment worked effectively to the extent that it received national recognition as an exemplary 'champion' project (*proyek percontohan*). Eventually, the establishment of a new unit, the Integrated Agency for Licensing and Capital Investment (*Badan Perizinan Terpadu dan Penanaman Modal*, BPT-PM) or widely dubbed the 'one-stop shop' (OSS) marked the important milestone of local innovation made possible by local initiative through the policy of local administration. These days, it is relatively common that in order to tackle problems of rent-seeking in licensing, several Indonesian cities and districts have implemented OSS for business licensing.

At this early stage, one might wonder whether OSS in Sragen or elsewhere can work for the poor. Yet, there is good evidence from many countries that OSS provided vital support to poverty alleviation in a variety of forms and contexts, especially for those inhabiting remote or isolated regions. Similarly, the notion of simplifying procedures through OSS is to some degree able to elevate government efficiency and, equally important, it is politically desirable for politicians and policymakers in Sragen.

In the meantime, various SP programmes have been piloted and expanded by many ministries and agencies representing central government. The local administration in Sragen has been expected to fully support and carry equal responsibility at the implementation level. Programmes with a considerable budget such as cash transfer and health care have been shaping the policies.

Sragen citizens have generally appreciated the improvements on social policies, specifically the ones that have managed to tackle problems in obtaining health services. Understandably, health care in Sragen that generously covers catastrophic illness can be seen as a 'cushion' to support domestic finances during difficult times.

In 2012, a year after the election won by Agus Fatchurahman as new governor with the new partner (Daryanto), the Sragen government continued to roll on the OSS. In fact, it developed a similar unit to handle issues on SP. Officially named the Integrated Service Unit on Poverty Relief (*Unit Pelayanan Terpadu Penanggulangan Kemiskinan*, UPTPK), the new unit immediately grabbed attention as it was given priority under the new regent. Talented workers were recruited from various existing offices, including education, health, social, public works, and housing, among others. In addition, the regent himself ensured that UPTPK would receive a substantial budget so that it could undertake its tasks smoothly. On many occasions, Agus openly pledged to upgrade the status of UPTPK from merely a unit to an office subject to approval from several Ministries in Jakarta.

Predictably, this office was heavily occupied with resolving numerous complaints from citizens who did not receive any assistance, particularly during the distribution of cash transfers in 2005 and 2008. The timing of the UTPK establishment also coincided with the official date of PPLS¹⁹ release. The launch also indicated that the central government be prepared for another cash transfer while attempting to reduce fuel subsidy. Undoubtedly, the versatile data set is quintessential to support the implementation of SP. However, based on the two previous cash transfers, problems related with inaccuracies still occurred. Therefore, in order to anticipate the execution of cash transfer and to avoid typical problems on targeting, UTPK was assigned to obtain full access of the precious data set. However, the PPLS was categorised as sensitive data for fear that it contains identification, which raises privacy issues or abuses. It was administered exclusively by the National Team for the Acceleration of Poverty Reduction (TNP2K, *Tim Nasional Percepatan Penanggulangan Kemiskinan*), a powerful unit under the Vice President who had the mandate to use the data set to decide the eligibility upon the beneficiaries. Having endured difficulties through bureaucracies, UTPK finally managed to formally acquire the data with several conditions attached.

Possessing the PPLS data set means that UTPK could use the data to deliver their own targeted policies. It also helped to get ball-park figures for SP programmes. But the most important of all is that local administration could thoroughly examine its accuracies. In that way, UTPK was able to fix the errors and to update the data set through its own methods. Later, the works on fixing the PPLS data set turned into complementing the number of receiving households. This created two versions of potential beneficiaries and undermined the method set by central statistics agency (BPS). However, this did not really worry TNP2K or central government agencies as the additional households gathered from the local survey were not supposed to obtain extra funding. Alternatively, with improved conditions of the local budget, the Sragen government decided to defray the costs incurred in expanding beneficiaries.

As shown in Figure 6.5 below, the two largest SP programmes in Sragen i.e. health and education are explained in brochures and disseminated widely in offices, hospitals, clinics, schools, and other public places. The leaflets feature prominently the details of both programmes displaying the specimens of benefit cards (*Melati, Menur, Kenanga, Sintawati*), flowcharts for business process, numbers of beneficiaries using different data sources, and the allocated budget for respective programmes.

¹⁹ PPLS (abbreviation of *Pendataan Program Lindung Sosial* or 'Targeting for Social Protection Programme') is a data set that consists of rosters of potential beneficiaries obtained through the household poverty census. Starting from 2005, the method for data collection was enhanced in 2008. This data set was used as a basis to deliver social assistance.

PEMBAGIAN KEWENANGAN UPTPK

WEWENANG UPTPK KECAMATAN

WEWENANG UPTPK KABUPATEN

PENERIMA LAYANAN UPTPK

Program / Kegiatan	Jumlah
Jumlah Penduduk 2011	887.715 jiwa
Jiwa Miskin menurut PPLS BPS 2011	349.027 jiwa
KK Miskin menurut TNP2K	87.768 KK
Jiwa Miskin menurut TNP2K	308.783 jiwa
Jumlah Saraswati Melati	308.783 jiwa
Jumlah Saraswati Menur	40.244 jiwa
Alokasi Saraswati Menur tambahan (verifikasi UPTPK)	SURVEY

ALOKASI ANGGARAN

KEGIATAN BH LUAS (VARIATIF)	(JUMLAH ANGGARAN)			
	Sebelumnya / 2011	2012	2013	2014
Program RTLH	160 juta	4,75 miliar	14,85 miliar	8,65 miliar
Program Kesehatan arak (JAMKESDA)	6 miliar	8,5 miliar	10,5 miliar	13,155 miliar
Program Mahasisw Kin	200 juta	447,2 juta	688,8 juta	
Program Siswa Kin (SINTAWATI)	765 rekomendasi	61.091 siswa SD SMP	87.768 siswa SD SMP	
Program Kematian	0 rupiah	1,2 miliar	1,231 miliar	841 juta

“AKU DENGAR SUKOWATI MEMANGGILKU”

VISI
Menjadi pelayan masyarakat miskin Kabupaten Sragen yang ramah, prima, dan prosedural.

MISI
Melayani warga masyarakat miskin memenuhi kebutuhan kesehatan, pendidikan dan sosial ekonomi.

UPTPK

**UNIT PELAYANAN TERPADU
PENANGGULANGAN KEMISKINAN
KABUPATEN SRAGEN**

KESIHATAN

UNIT PELAYANAN TERPADU
PENANGGULANGAN KEMISKINAN

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SRAGEN - 57211

PEMBAGIAN KEWENANGAN UPTPK

WEWENANG UPTPK KECAMATAN

WEWENANG UPTPK KABUPATEN

PENERIMA LAYANAN UPTPK

Program / Kegiatan	Jumlah
Jumlah Penduduk 2011	887.715 jiwa
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KABUPATEN SRAGEN**

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Figure 6.1 Brochures on Information for Health, Education, and Economic Programmes in Sragen

Considering the complexity and enormous size of the budget required to undertake sophisticated programmes such as conditional cash transfer (managed by Ministry of Social Affairs), the Sragen government focused on the improvement of targeting whilst exploring feasible options of SP programmes. Prominent among these programmes are health care provision (officially called *Saraswati*, the abbreviation for *Sarase Warga Sukowati* or translated as Healthy Sukowati Citizen) for different segments of society. The difference in benefits is indicated by different cards: *Melati*, *Menur*, *Kenanga* (translated as Jasmine, Star Jasmine, Cananga, the names of popular local plants) respectively catering to the poorest, poor, and non-poor.

Local citizens who are identified as poor according to the TNP2K data set will usually receive *Melati* cards. This is the most generous scheme of all. The benefit of this card is equalised to the national programme of social health insurance (*Jaminan Kesehatan Masyarakat/Jamkesmas* or since 2014 became JKN: *Jaminan Kesehatan Nasional*). Certainly, the *Melati* scheme entails an enormous budget since the benefit covers all diseases as stipulated in the JKN programme. For instance, cardholders are able to get free health care in the health centre and hospital. This includes free lifetime haemodialysis for kidney failure cases. Seemingly ambitious, the Sragen regency managed to control the costs and navigate the complexities surrounding the implementation of a local version of the JKN programme.

The *Menur* card offers the second best benefits. This is provided for those who are identified poor from the BPS survey but for various reasons not listed in the PPLS data set. Most likely, the

beneficiaries were verified from the local survey run by UTPK. The benefit is almost similar to the Melati scheme with minor difference in the haemodialysis service which is limited only to ten visits for a patient.

The *Kenanga* card is given to those who are not enlisted in either the TNP2K data set or the BPS version of PPLS. The benefit is not as generous as *Melati* or *Menur*. A considerable majority of cardholders are listed from the citizen's applications which are not deemed eligible to obtain *Menur* or *Melati*. It offers free health care at the local health centre (*Pusat Kesehatan Masyarakat* or *Puskesmas*) while it only provides subsidy for services in the public hospital twice in a year. The haemodialysis service is free only when used up to five times. From the perspective of programme administrators, *Kenanga* is basically a 'consolation' programme for citizens to avoid their disappointment. Hence, the essence of this programme is basically limited free health care for the self-declared poor.

With regards to the statistics on cardholders, the latest data (updated on November 2016) records 387,495 cardholders. The majority of them hold a Melati card (79.8 percent or 309,477 individuals), while a Menur card is owned by 51,046 persons, and the Kenanga scheme is distributed to 26,972 persons.

In addition to health care, Sragen regency also offers an academic scholarship programme to school-age children when their parents receive Saraswati benefits. The programme is officially dubbed Sintawati (*Sarana Pintar Warga Sukowati*) which covers free tuition fees for studying in various education levels, from elementary school stage up to state universities in Java.

6.2.2 SP Programme in Surakarta

Similar to what happened in Sragen and other regions, the SP programme in Surakarta was not very developed during the New Order era. Most programmes during Suharto's era emphasised agriculture so the development of the city was focused in the vicinity where rice fields and farmers were situated. Apart from the remnants of a royalty, the city received national attention because the family of Tien Suharto (first lady from 1967 to 1996) resided in Solo. This largely explains the construction of the international airport in 1977 and massive upgrading in 1989, even though there was already another decent airport in Yogyakarta (60 km away).

Bearing the characteristics of an urban area, recurring problems such as sanitation, illegal settlements, housing, and crimes largely exhausted domestic resources. Though not as sprawled as a metropolis like Jakarta, Surabaya, or Semarang, the city had begun to develop its own difficulties. People come from surrounding rural areas, predominantly from regions with high poverty rates. The trend of

urbanisation continues to grow whilst unrelenting pressures on domestic resources had been inevitable. Consequently, urban poverty is an increasingly relevant and urgent issue in Surakarta.

Indeed, like in most other places, formal SP provision only caters to sedentary populations, who are tied to a particular region. However, in the current globalised world, with new and increasingly frequent flows of people, goods and information, more people choose to or are pushed to live across regional borders, developing attachments and responsibilities in more than one area. Therefore, traditional and geographically fixed SP systems have become problematic.

The first mayor in the decentralisation era was Slamet Suryanto from the PDI-P party (in office from 2000 to 2005). Elected indirectly (when the direct election had not yet been introduced), he managed to assemble considerable support from local parliament members who were mostly the members of PDI-P. However, it seemed the mayor could not manage to devise any outstanding programmes, particularly ones that relate to social welfare. Even worse, his administration ended with various corruption scandals and the mayor himself was eventually convicted for a graft case.

As government transfer and authority had not been increased significantly during the first five years of decentralisation, the local government only managed to start incrementally with limited projects such as initiatives on regulating 'academic curfew' for students —staying at home during the evening time to avoid juvenile delinquency— which later paved the way to the more comprehensive 'child-friendly' city project.

SP programmes had never become a focus of the mayor until his successor, Joko Widodo (affectionately known as 'Jokowi'), was elected in 2005. This timing coincided with the increase of fund transfers to the local budget after the first revision on decentralisation laws in 2004. His first move was, however, neither focussed on SP nor welfare improvement but rather on business development and public space improvement in the city.

Compared to Sragen, the situation in Solo is rather different. Solo's regulatory environment had been less problematic. An independent assessment of the quality of local regulations in 2004 evaluated Solo's local bills as 'fairly conducive' to investment with no serious obstructions to local trade or investment activities (Von Luebke, McCulloch, & Patunru, 2009, pp. 284–285).

Responding to complaints of the business community, which previously criticised the myriad of administrative desk work and article work they had to do, Jokowi streamlined existing licensing procedures through the establishment of an effective 'One-Stop Shop' (OSS). Most respondents confirmed that the quality of business services strongly benefited from Jokowi's prior business experience as a furniture exporter.

After the substantial increase of the local budget and deepened democratisation, Surakarta had begun to launch many progressive programmes. Lately, the city is widely recognised for its policies of managing the widespread and uncontrolled informal sector. The local government is also acclaimed for its street vendor restructuring programme, various programmes to relocate flood victims, and locally-based programmes for the protection of the poor community in the form of education and health assistance. Launched in April 2010, education assistance generally covers all Elementary and Junior High School students, while High School students were given specific grants. Officially named *Bantuan Pendidikan Masyarakat Kota Surakarta* (BPMKS) or formally translated as Surakarta Community Education Assistance, it supplements operational grants from the Ministry of Education (*Bantuan Operasional Sekolah*, BOS).

After two years in the municipal office, Jokowi instructed Solo's Department of Health to supplement the national health care policy. Siti Wahyuningsih, head of the department, in an interview with Majeed (2012) said:

"In April 2007, Jokowi summoned me five days after I was appointed head of department to design a programme of health financing and insurance especially for the poor in Surakarta. At that time, some cities near Surakarta had free health services at community health centers for the poor. He asked me if it was possible to give free health care, and I said that we can make a similar programme with a better system."

After doing some evaluations on health care plans in other cities, Wahyuningsih and her team formulated a plan for Solo. Residents who did not belong to Jamkesmas or other kinds of public insurance, such as civil servant insurance, or private health insurance, and had lived in Solo for the past three years could use services under the programme. The local version of the health care programme is given the official name *Pemeliharaan Kesehatan Masyarakat Surakarta* (PKMS, translated as Surakarta Public Health Maintenance), and it essentially provides free health care for poor families who were not previously covered by the national health insurance programme. Initially introduced on January 2008, it aims to cover the entire population with a benefit package similar to the national programme. Underpinned by the limited expansion capacity and lack of accuracy in *Jamkesmas*, Solo municipalities envisaged to include 6,989 individuals at the beginning of the implementation. In Surakarta, *Jamkesmas* covered about 100,000 people (or around 20 percent of residents), but according to the regulation (mainly under the umbrella laws of regional autonomy) it was up to the city to provide for people who were not covered by any kind of public- or private-sector insurance, and could not afford to buy insurance.

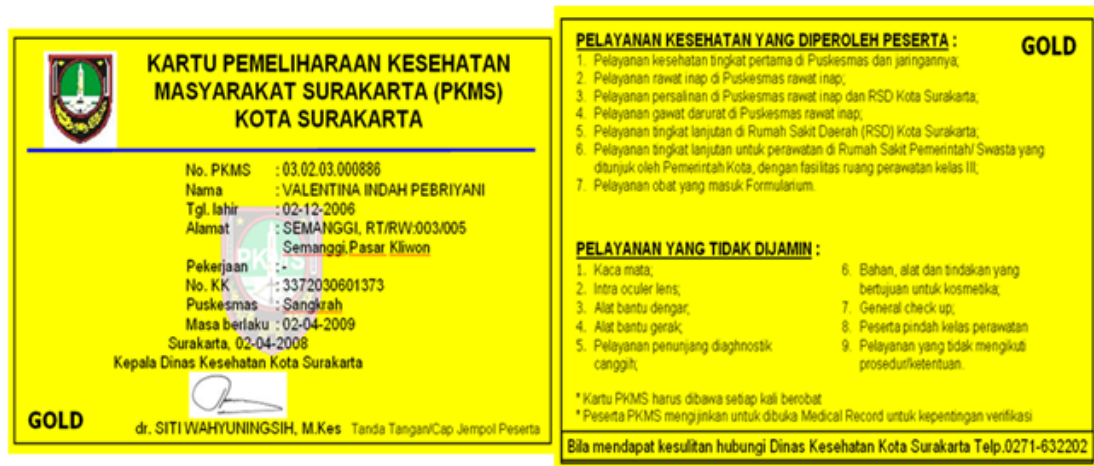


Figure 6.2 Free Health care Cards in Surakarta

Surakarta's PKMS offers two types of health benefits represented by two cards, i.e. gold and silver. Gold cards (as in Figure 6.8) are distributed to those who are categorised as poor according to either national or local data sets. Meanwhile, silver cards are provided to Surakarta citizens in general regardless of their socio-economic status in which the application requires valid identification proofs. As both cards were targeted to two different segments, they differ in terms of benefits. While the gold card reimburses the entire cost of health expenses, the silver card only replaces half of the incurred costs. As of 2015, the PKMS beneficiaries reached 247,229 citizens or 49 percent of the total population. Around 91 percent of them (247,229) were registered as silver card holders while the recipients of gold cards were merely less than 10 percent (22.092). The design of the free health card basically copies from the national health care programme with slight modifications to the benefit, i.e. some health services are covered and some are excluded in the PKMS, as specified at the back of the card.

Subsequent to the launch of health and education programmes, a wide range of additional SP programmes were created to complement the existing ones. For the most part, this involved larger participation of stakeholders while approaching new segments in the society, such as informal workers and disabled citizens. As is common in most bureaucracies, most of the local offices (*Satuan Kerja Perangkat Daerah*, SKPD) have a sectoral view on multi-faceted issues such as poverty alleviation and therefore regard these matters as the sole concern of other agencies who are responsible for the social sector and activities within it such as the Regional Development Planning Board (*Badan Perencanaan Pembangunan Daerah*, BAPPEDA), the Community Empowerment Board (*Badan Pemberdayaan Masyarakat*, BPM), and social services office (*Dinas Sosial*).

Along with streamlining the bureaucratic procedures, Jokowi also managed to reduce narrow sectoral perspectives among his staff. That way, the entire procedures of business had become more effective,

opening up a higher extent of interaction between offices which had been compartmentalised earlier. The winds of reform also brought about new approaches to poverty reduction, which gradually became programmatic, institutionalised, and based on budgetary factors.

With regard to the beneficiaries' data set, the Solo municipality expanded coverage gradually using PPLS as baseline data. This exercise seemingly appeared to be an attempt to universalise SP. Worries about the unfunded SP programme did not really emerge as the programme (health care in this instance) mainly offers rudimentary services which generally do not seem attractive to the middle class, let alone wealthier segments.

Another important SP-related policy in Surakarta was the resettlement of street vendors and squatters. This was carefully done through a slow process which involved hundreds of informal meetings and preparation of the new space. Key among the initial steps was approaching the existing vendors who were invariably affiliated to various organisations (youth, religious, and entrepreneurial). Although those who were affected by resettlement did not necessarily receive SP (as a large number of illegal settlers were actually non-Surakarta residents), it seemed that the provision of SP in general could help to contribute as a 'bargaining chip' in the negotiation process.

With regards to the issue on housing, sub-standard residential units in Solo can be categorised into two types: inner-city slums, typically the overcrowded Indonesian *kampungs* developed historically, and unauthorised squatter settlements which emerged in more recent times on government owned land. The former type can be located in very central areas, in the historical regions of the city.

The informal workers' resettlement programme seemed to dovetail the framework of the city's infrastructure refurbishment and housing improvement, including transformation of dilapidated traditional markets and public parks to higher standards. Undoubtedly, these efforts appeared to convey a populist and pro-poor image which eventually helped to levitate the popularity of policymakers, especially Jokowi as the mayor.

6.3 Perceptions of Decentralisation

What are the impacts of decentralisation as comprehended by stakeholders at the local level? How these are differing across varied groups? Answering these questions is important in order to assess the nature and meaning of decentralisation, and to understand the patterns of responses (see next section).

A participatory approach was taken to identifying the concept and realisation of decentralisation across respondents in Sragen and Surakarta. The questions were designed to enable people explain

their understandings and so offer insights into how people themselves view and perceive the realisation of decentralisation from the condition of their surroundings. In so doing, respondents were asked to describe the aspects of decentralisation they experienced. Responses from case study households were triangulated through interviews and group discussions involving a social mapping exercise with the local leadership. These multiple sources permit insights into the wider concept of decentralisation from diverse perspectives – women and men, younger and older– and therefore offer a rounded and relatively robust picture of conditions and contexts.

In short, decentralisation is perceived differently among stakeholders. Summary of their understanding or narrative on decentralisation is presented in this section. Table 6.7 below describes the overview of responses based on interviews during the fieldwork.

Table 6.1 General Perception of the Impact of Decentralisation

Topics related to decentralisation	Local government officials	Local MPs	Community leaders	Facilitators	NGOs/Local universities	Poor people/beneficiaries
<i>Overview of decentralisation</i>	Positive. Several initiatives are better designed to meet public needs, yet issues on coordination and budget remain unsolved.	Mixed. Although much authority has been devolved to the regions, power is still retained by the central government and still leans towards the executive.	Mixed. A lot of programmes (including SP) have been offered to the public and the impact on welfare is significant. However, local politics has become more complex as compared with the past.	Positive. A variety of programmes are helping to stimulate local wisdom in achieving government policy.	Mixed. Appreciative of better governance but the problem of corruption is becoming worse. Local government policies are susceptible to being politicised during local elections.	Positive. More assistance has been delivered and many programmes have been offered to households.
<i>Public service delivery</i>	Improved. We can independently set up a new office or new unit so that we can outreach citizens better. We expect more central government facilities in our regions to be given to our office.	Mixed. Local office might have been creative in initiating new programme but still most of the expenses are actually for salaries.	Improved. Procedures have seemingly become simple these days.	Improved. Services become more comprehensive and transparent.	Do not change much. Old practices of patronage and cronyism still dominate.	Improved. More responsive and some initiatives help citizens to reach services.
<i>SP and welfare</i>	Mixed. SP becomes main concern at the local level. Devolved budget and authorities reinforce local initiatives with regard to welfare promotion. However, most 'big' SP programmes are still administered by agencies from central government.	Mixed. There has been much potential from the local level but most are hindered by lack of capacity, ranging from technical to conceptual.	Improved. Poor households are identified clearly and well-targeted. Some room to improve further but the idea of entitlement programmes is commendable.	Positive. Increasing role of local government to a large extent helps mitigate inaccuracy in targeting benefits.	Negative. Some if not most SP programmes are only gimmicks in reality. Especially used to garner votes during election.	Positive. More complete and encompass every need of each household member (e.g. education for kids, money for parents.)

6.3.1 Perceived Overview of Decentralisation

The question of how respondents perceive the impact of decentralisation is influenced to a large extent by their understandings of regional autonomy which developed more than a decade ago. Therefore, familiarity with the concepts varies among respondents. Apparently, it seems, some respondents already have a strong background and orientation towards abstract notions while some struggle to grasp concepts unless they are informed by basic definitions related to decentralisation.

With different levels of background and foundational knowledge of decentralisation, responses vary considerably across respondents. Local officials seem to grasp the concepts thoroughly and reply with more technical jargon and abbreviations. Although there is no guarantee that their opinions are unbiased, their statements are almost always on the record and made available for checking against facts. Local MPs and academics also present vast knowledge, are able to recall the process of decentralisation in the early period, and manage to review the transformations occurring at the local level. Interpretations of decentralisation and its impact among community leaders and programme facilitators were sufficiently exemplary although they are mostly lacking the details. Meanwhile, beneficiaries appear to be those respondents with very low comprehension on conceptual notions of decentralisation and tend to ameliorate their judgments for various reasons, mainly for fear of losing benefits after making negative comments.

Positive perceptions are held mainly by local officials, facilitators, and beneficiaries while mixed responses (negative and positive) were given by local MPs, community leaders, and people with an NGO background. Especially among NGOs, several critical points were made on the drawbacks of decentralisation.

Overall the basic idea of the impact of decentralisation can be quoted from an observer based at the local university:

“...the process of democratisation and decentralisation has happened very quickly; yet there is a sense that it is incomplete in some ways. Jurisdictions often remain ill-defined or overlap, and local legislation and regulations are frequently at odds with national policies. And because it has happened so quickly, the checks and balances needed for good governance have had very little time to evolve organically.

Indeed, the capacity of the sub-national governments – from the 34 provinces to the 83,000 villages – to deliver high-quality public services is often lacking, and so are the frameworks that monitor the proper and efficient use of public resources...”

In sum, most respondents agree that decentralisation is still in progress, and it requires constant improvement and support from all levels of society. This huge undertaking cannot be left alone to the local government but it is extremely important to have greater participation from citizens. Borrowing

the concept of *gotong royong* (mutual help), its ubiquity reminds every citizen to share similar responsibilities in the development process (Bowen, 1986).

6.3.2 Public Service Delivery

Respondents were also asked to describe their experiences or views on public service delivery in general. The responses were again triangulated across multiple sources. Unlike their perceptions on the abstract concept of decentralisation, which were more likely to be responded to more technically by several groups, public service delivery tends to be recognised more generally across respondents. However, an important finding, which affirms much of the literature on decentralisation in Indonesia and elsewhere, is that the betterment of public service delivery depends substantially on the existing capacity and political willingness at the local office. This is particularly true of the local arrangements in managing the data sets for SP beneficiaries, but also to some extent of whether and how local governments launch and develop new schemes.

This section analyses not only respondents of this research, but people and mass media that generally recognise and sometimes criticise the advancement of public service delivery. Most importantly, they believe this can happen mainly due to the power to exercise the decision flexibly without rigid procedures or compulsory consultations with the central government as in the past. Decentralisation, according to most respondents, brings decision-making closer and therefore yields higher attention to local needs.

Analysis of the findings about how people perceive the difference in public service delivery after decentralisation shows three broad aspects:

- a. Increasing speed and quality of service delivery, particularly ones related to business registration and citizenship documentation; several policies were supposed to streamline the process and cut down substantial time required to obtain a licence. This improvement was normally accompanied with the betterment of supporting facilities, like a waiting room, air-conditioner, and computerised system.
- b. Improved amenities. The most famous one is the improvement in public parks. This project was seemingly neglected by the previous administration as it was not seen to have meaningful effects on local development or other meaningful progress. Yet, these days, many local leaders have been giving significant attention for the re-development of public spaces like parks. Apart from their simplicity and low budget required, such upgrading is associated with cleanliness and state provision for participatory spaces where the public can meet or speak.

- c. Local economic development, including the informal sector. The renovation of traditional shopping centres and relocation of street vendors were appraised highly.

6.3.3 SP and Welfare

From previous discussions, it has been found that much of the development of SP and welfare has been attributed to the implementation of decentralisation. Various programmes have been made available after substantial proportions of the budget were devolved to local administration. A bottom-up approach to designing public policy is also under the spotlight particularly in identifying priorities on activities and beneficiaries. Generally, all respondents except people from NGOs and academics have a positive impression of local SP. Although the room for improvement is still considerable to local officials and local MPs, reception of the newly introduced SP programmes was warm. The critical appraisal from academics, pointing to the dangers of misusing SP as a political tool, is valid. The benefit is seen as very marginal and not really effective in increasing people's welfare, let alone eradicating poverty.

6.4 Changes in Social Welfare in Sragen and Surakarta: Before and After Decentralisation

This section describes the outcomes that are evident in Sragen and Surakarta prior to the decentralisation era and social progress made after the enactment of regulations pertaining to devolution. In this section, most of the information relies not only on quantitative indicators, mainly official figures, but it also encompasses information garnered from the interviews and observations during field visits. The incorporation of both aspects is aimed purposefully to obtain a complete picture of the actual situation.

6.4.1 Trend in Poverty

The development of social welfare in the two regions shows considerable differences. For instance, poverty rates in Sragen and Surakarta are 14.86 and 10.95 percent respectively (as of 2014 calculated using BPS method). The higher rate of poverty in Sragen is attributable possibly to the decline of the agriculture sector, creating unemployed farmers and smaller plots of rice fields. Industrial transformation seemingly did not occur perfectly because of many factors inhibiting new business. Meanwhile in Surakarta, poverty is more prevalent due to the increasing rate of migration as indicated by the formation of squatter settlements nearby riverbanks.

Poverty rate dynamics from the early decentralisation period (2000) to the latest available data (2012) shows significant decline in both regions (Figure 7.9 below). Sragen eventually managed to slash the poverty rate from 30.23 to 16.72 percent (around 13.5 percentage points reduction) while Solo could bring down the rate from 18.68 to 12.01 percent (-6.67 percentage change) in 12 years.



Figure 6.3 Poverty Rates in Sragen and Surakarta (2000-2012)

Source: BPS Surakarta and BPS Sragen

From the outset, the economic turbulence that rocked the country at the end of the 1990s has left a different impact on Sragen and Surakarta. The recovery process was relatively speedy in Sragen, while

it took longer for Surakarta to rise from downturn largely due to the extensive damage after the series of riots and lootings. Post-crisis programmes at the local level to a certain extent had managed to control poverty and unemployment rates, mainly through SP and social welfare-related policies.

However, the actual poverty rate is perceived by many to be higher than the official statistics. This is allegedly a result of the low threshold in the poverty line calculation which insufficiently represents actual situations. This might be caused by the fact that the process of targeting and poverty line construction is not comprehended clearly by the public. Instead, lack of involvement from local governments and citizens might be the factors that engender suspicion towards data manipulation and inaccuracies. On top of that, with the growing budget size, the municipal administration started to cover additional beneficiaries which eventually portray a larger number of vulnerable groups previously untouched by official surveys. This expansion policy can be interpreted as an encroachment on the established formal methodology set by the central government.

Predictably, by taking into account multi-dimensional aspects on the latest poverty census (PPLS 2011), vulnerability emerges significantly higher than what was implied from figures extracted from annual household surveys. Based on PPLS 2011, around 44,872 households in Surakarta were registered as 'vulnerable' which qualify them as possible beneficiaries for SP programmes. Assuming each household has four members, resulting in 179,488 vulnerable citizens or approximately 33.8 percent of the total population. The treble increase from the BPS official poverty rate indicates a high degree of vulnerability as well as a sign of unreliability of the consumption measurement used to define poverty.

Unlike other cities of the world, poverty in Surakarta is not concentrated in single areas of the city and every RT-unit of Surakarta has a certain degree of poverty. Areas showing the highest degree of poverty are located in the south-eastern part of the city, along the riverbanks of Bengawan Solo, but also along other channels, railroad lines and on government-owned land. Dwellers of illegal plots and slum areas typically do not own any identification documents, and some of them migrate temporarily to other places. Almost invariably, however, these undocumented citizens tend to be missed out during the census or survey, hence this group will not appear in statistics.

Similarly, poverty in Sragen is generally viewed as more rampant than the official figures. This is especially due to the geographical challenges which often times hinder enumerators from conducting proper survey in several remote locations. Problems have occurred usually when large scale SP programmes were distributed using data sets from BPS. Hitherto, Sragen officials always attempted to increase the number of recipients, in order to close the significant gap between BPS data and 'the real condition'. Yet, constrained with a limited budget to top-up the national flagship SP programme,

they usually add the new beneficiaries in the upcoming fiscal year with a scale of benefits that is inevitably less than the existing beneficiaries.

Local democratisation has also brought about the emergence of non-governmental organisations. Though seemingly these new agencies aim towards various agendas, issues on poverty-related policies have always been in the backdrop. As one official in UTPK Sragen mentioned:

“Indeed, poverty has been the main focus as well as priority in local development agenda. This echoes *pak Bupati’s* (head of regency, Regent’s) manifesto during his rally. His campaign was apparently successful in gaining substantial votes of electorates who live in under-developed sub-districts. Not only (poverty reduction) will this fulfil his promises during the rally but it also fits with the needs of local citizens, I think”

A similar statement from an official in Surakarta (Social Welfare Office) also implies the importance of a poverty reduction strategy:

“Poverty reduction and local empowerment are actually the brainchild of *Pak Wali* (shortened form of *Walikota*: mayor) during his first administration, although it does not seem unique to Surakarta only. The approach we undertook was unparalleled at that time, as far as I know...”

Therefore, the decentralisation and democratisation era appear to bring more open discourses on poverty and increasing awareness on accountability for poverty definition. The role of the mass media in bringing to light discussion on poverty related subjects had become pivotal, especially in reaching out to laymen readers with provocative headlines and colourful language in many articles. Furthermore, more proposals and ideas had been emanating from non-government actors such as civil society organisations and academics.

Relating to the trend on poverty figures, most officials believe that there has been significant progress on poverty reduction. Despite many challenges, local governments in both regions are seen capable of managing the SP programmes so that they bring about the desired impact on people’s livelihoods.

“We do not need to show the figures (on poverty), you can see clearly the progress we have made in mass media. People have become more satisfied and they have appreciated our work. I do not say that poverty is completely alleviated but the number (of poor) is decreasing, I am convinced...”

“Awards and recognition that we received is one way to measure that our attempts in reducing poverty are not futile. Ambitious it may seem, but if we keep doing this programme right, I believe we will hear less about extreme poverty, famine, or other sad news...”

6.4.2 Trend in Inequality

With regard to inequality, Solo as an urbanised region reveals more of an unequal situation, with the Gini ratio staying at 0.35, whilst Sragen has a relatively lower inequality rate (0.33) from the latest BPS' release (2014). Again, however, these official figures lend insufficient explanation for the reality as perceived by stakeholders in both regions. With the advantage of hindsight, it is possible to see that a discrepancy emerges due to the BPS's methods of measuring inequality that rely largely on household consumption instead of income, let alone wealth or assets.

One might argue that local economic growth could act as a springboard for citizens to improve their livelihoods, hence closing the gap between the poorest and the richest. Unfortunately, as time passes, the evidence mounts that economic advancement has also left protracted problems like inequality. This echoes the global phenomenon of the widening welfare gap.

Like the prolonged discussion on disparity of nominal vs actual poverty, there have been perennial disputes concerning the measurement of inequality. For the most part, the polemic usually revolves around the methodology used by the BPS. Using the regular Susenas survey, the statistics agency releases the Gini index based on consumption or expenditure. Meanwhile, brief observation of the ownership of assets might provide a different impression. While official figures indicate slowly declining inequality, people hardly believe this to be a fact. It is simply a result of lacking trust in the official data.

Besides this, the discrepancy is also a result of widespread informality in terms of jobs. Those who work in the informal sector usually have a lower income than their colleagues who hold formal jobs. Naturally, informal sector employees have an uncertain duration of employment which cannot guarantee stable earnings and is prone to termination.

At the outset, some argue that widely used gauges of economic inequality, like the Gini coefficient, are not really well suited for measuring social and economic progress. That metric and similar ones do not focus on what is actually unfair about the status quo: the absolute deprivation and lack of opportunity imposed on a large segment of society. In this regard, upward mobility becomes more important, although lamentably the lacuna on the literature concerning this topic in the Indonesian context is not yet filled.

Using a wider spectrum, inequality can be traced from the socio-economic conditions of privileged versus non-privileged groups in terms of access to education and facilities that are important to sustain basic necessities. Within the wider context of inequality, it is instructive to distinguish two types of inequality i.e. based on outcome or opportunity. Borrowing a concept from John Roemer (2000), inequality of outcome, which at times is represented by income disparity among members of

a society, is not necessarily a result of the difference in effort undertaken or connatural talent among individuals but it also reflects the gap in circumstances beyond the control of particular individuals.

The unequal opportunity is seemingly taking place in regions where quality of public facilities are generally sub-standard while privately-arranged institutions limit the access of citizens from low income groups. This notion fits into the situation in Surakarta where most of the developed education and health facilities cater only to non-poor segments while sub-par public facilities provided for the poor only help a little, barely functioning as a springboard to elevate socio-economic status in the long run.

Therefore, while SP intervenes to address income inequality, it requires further policies to unravel the problems of economic immobility. Yet, the problem of inequality seems to have been overlooked at least on paper. Various government documents in Surakarta and Sragen generally do not touch upon the inequality issue. According to an official, SP programmes have been mainly oriented towards poverty reduction. Targets and indicators were translated so as to achieve targets on the poverty rate or the improvement of social welfare. As a government official in Sragen put it:

“We in this office were instructed by *pak Bupati* specifically to safeguard the agenda on poverty reduction. This is very important as poverty was one of the main concerns during his campaign years ago. As regard to inequality, we acknowledge the problem has begun to emerge lately, but we did not mention it in our local planning document because our priority is still on poverty alleviation and the promotion of human development...”

Unlike policies of equalising outcome, policies of equalising opportunity by providing support to individuals with less favourable circumstances to level the playing field is relatively more acceptable across different positions on the political spectrum, from left to right. As the left in politics is virtually prohibited by law, the idea is normally transmitted to the concept of people-oriented ideologies such as social democracy (as embedded in PDI Perjuangan’s manifesto) or subtly traversed in other parties which typically hoist the banners of nationalism and development.

6.5 Reflections and Key Findings

Data analysis during this stage followed an iterative process and notes were transcribed to identify any inductive patterns in the data. Data collected from the interviews and secondary sources reveals not only the detailed operationalisation of SP programmes at both sites, but also the relationships between stakeholders.

Using the conceptual framework of decentralisation, and drawing methodologically from the field of policy implementation research and from brief sociological ethnographies, thematic analysis was

conducted on the data from official documents (encompassing budget report and work plan), researcher field notes, and qualitative interviews with stakeholders, including officials, facilitators, and beneficiaries who were the targeted recipients of the SP programme. Next, a follow-up framework analysis was conducted on a subset of data to examine prominent patterns that emerged during the field visits. The results of the qualitative part of the study are broadly illustrative, but by no means strictly representative, of the SP programmes implemented nationally. The results appear to echo and complement the findings of the quantitative part of this study.

Normally, themes are expected to recur frequently as responses towards critical research questions, although on several occasions, unforeseen topics featured heavily. This indicates two possibilities. First, it might indicate that the prepared set of research questions did not comprehensively capture the situation in the field, hence the existing research framework will benefit considerably from additional topics. Second, it implies either a lack of knowledge on certain subjects or reluctance to inform sensitive matters. Either way, inputs from respondents (or interlocutors) will build valuable data sets to analyse.

Assisted by NVivo software, patterns of themes are established. The identification of patterns is analysed and this leads to formulation on four main recurring themes. These four leading themes are elaborated in this section.

Chief amongst these emerging themes is the rivalry between the local and central government. This happened especially after the local direct election was imposed and the regional budget was significantly increased. Inevitably, they were vying for administering various SP programmes as the division of authority between agencies has not been clearly delineated. Therefore, overlapping programmes and conflicting regulations become the central topic in almost every interviews, especially with respondents from local government offices.

Whereas competition between the central and local government remains, vertical coordination in various forms still takes place. In this context of rivalry, however, the degree of prerogatives for the provincial level seems limited, and hence is insignificant. Following decentralisation, most of the SP programmes were organised by the central government (ministerial level). The role of 'middle men' as played by the province is no longer relevant in this case. In practice, however, one of the distinguishing features of provincial authority is how it can affect policymaking through political influence, particularly when the governor and the mayor (or the regent) belongs to the same party (coalition). Conversely, when these office holders come from rivalling parties, they will fight fiercely in local policymaking. In the following section, other important key findings will be elaborated further.

6.5.1 Local Initiatives are intended to Complement National Programmes but Seem Suboptimal

One of the most important features in the decentralisation of public administration, particularly after the introduction of direct election, is the emergence of competing approaches in shaping local public policy. This rivalrous attitude among policymakers can be narrowed down into the technocratic vis-à-vis populist. The former was popular not only after the decentralisation laws were implemented but also played an important role in the decision-making process during Suharto's New Order period (1970s-1990s), with the 'Berkeley Mafia' as the main proponent whilst the latter prevailed in Sukarno's Old Order era (1950s to 1960s). Nowadays, at the national level, policymakers strive hard to balance these divergent styles.

In Sragen and Surakarta, both local governments increasingly adopted a technocratic approach without completely neglecting a populist outlook. This ambiguity could possibly be found in other regions where the orientation of the SP programme was towards effective, evidence-based policies while local leaders still gained enormous support of the electorate. The situation seemed problematic from the outset, yet it was manageable at times with trial-and-error experimentation. Targeting in the initial stage required a household survey methodology to estimate the level of vulnerability. However, this initiative created turmoil at the beginning of implementation and dissatisfaction emerged, as mentioned by an official in Surakarta:

“We understood the intention and purpose of targeting for delivering the benefits but unfortunately there was hardly a discussion to formulate the methodology, let alone an instrument before the survey started. Nevertheless, we had to deal with the imperfection of the data set and follow instructions from the ministry. Yet, we finally managed to anticipate the problem caused mainly by the resentment of non-beneficiaries...”

Within the context of fiscally-constrained SP distribution, the most important aspect is targeting. However, competing narratives on the effectiveness of targeting can also be discerned and traces of evidence can be spotted in the circles of policymakers. With the benefit of hindsight, most social policies in the past had less concern for targeting. Increasing world oil prices in the mid-2000s marked the exigency to depart from previous inefficient programmes as the resources were diverted to fuel subsidy.

Subsequently, at the national level, PMT is adopted as the official method for the poverty census and this lead to a further discussion on the design of new SP programmes suitable for the community. Convincing as it seems, the concept of PMT resonates through many local government strategies to identify beneficiaries in their regions.

Transformation from simple non-targeted assistance to intricate targeted intervention was then emulated at the local level, using the cases in Sragen and Surakarta, and the local government felt the same urgency to prioritise funding for a more efficient SP programme. In addition, these local governments attempted to devise a new methodology for determining beneficiaries using 'localised' indicators different to those of the national version. They also experimented to involve the community in targeting to check validity as well as to explore possible additional beneficiaries. Targeting beneficiaries seemingly dominates the discourse at the local level, yet at times the notion of universal beneficiaries comes to the fore, particularly during the periods of political campaign. Naturally, candidates will offer as many benefits as possible to the electorate. One of the most common strategies related to SP programmes is extending the number of beneficiaries. This seems to be highly inefficient and unsustainable given the limited fiscal capacity. Yet, mostly the winning candidates could adjust the benefit or number of beneficiaries once facing budgetary problems. As commented by an official in Sragen:

“The campaign message of the incumbent was ‘welfare of all’ which implies universal SP programmes, therefore, our office launched the Kenanga scheme that provides health benefits to everyone who applies regardless of their socio-economic status. However, to prevent moral hazard and to control the budget, we decided to limit the benefit so it is not as generous as other schemes. For instance, it only subsidizes a small fraction of hospitalisation expenses assuming that the cardholders can afford to pay the difference...”

Expanding or universalising beneficiaries, however, has negative implications for the national SP programmes. As the local government released a different version of the beneficiaries' roster, the multiplicity of data can perhaps cause confusion in implementation, and again creates a lack of confidence in the credibility of the data.

Reflecting on the cases of Sragen and Surakarta, local governments attempt to address the imbalance in distribution of social aid. For the first time after several decades, local administration had a chance to manage their budgets and to govern the mechanism of channelling benefits. However, it seems, their endeavour in SP could not match the ongoing effort by central government in many aspects. Ideally, the work of both local and central governments should complement each other. Many praise local programmes, including SP, as being appropriate for the local needs, but each programme also suffers a major drawback, i.e. the issue of portability. No matter how generous the scheme was to beneficiaries, it would not serve optimally in other places.

Another protracted discourse is on the strict usage of the proxy means test (PMT, henceforth) or more lenient 'community-based targeting'²⁰ which generally points to the debate regarding decentralisation in targeting. The main contention usually revolve around the debate of weighing the benefits of utilising local information versus the costs of various forms of malfeasance, such as elite capture (Alatas et al., 2013). In the PMTs, the main presumption is that household assets are harder to conceal from government surveyors than income; in community-based targeting, the presumption is that wealth is harder to hide from one's neighbours than from the government (Alatas et al., 2012, p. 1207). Meanwhile, other issues such as costs and accuracy still do not lead to the firm conclusion towards the best targeting method.

Figure 6.8 below shows that almost all conversation topics almost always lead to the issue of targeting. Dominated by the issues of targeting, the discussions with respondents range widely from technicalities to more abstract subjects like the concept and philosophy of targeted benefits.



Figure 6.4 Recurring Themes in Qualitative Analysis

The choice between the two approaches is generally posited as a trade-off between the better information that communities might have, versus the risk of elite capture in the community decision-making process (Alatas et al., 2012). However, in the perspective of local governments in the case of Sragen and Surakarta, community-based targeting almost invariably prevails over the issue of public resentment. Furthermore, the size of benefit is no longer a priority because equally distributed

²⁰ In community-based targeting, the government allows the community or some part of it (e.g. local leaders) to select the beneficiaries. This method is widely used in developing countries such as Bangladesh Food-for-Education programme (Galasso & Ravallion, 2005) and the Albanian Economic Support safety net programme (Alderman, 2002).

benefits are found to be effective in ensuring a cohesive tight-knit community and suppressing resentment. The following statement from a local community leader supports this notion:

“I personally prefer the decision of *Pak Bupati* to distribute the benefit more equally (in the case of subsidised rice) and give the access for the existing non-beneficiaries to apply (for health and education schemes). This will create more transparency and I believe people will understand if their application is eventually rejected after review. Compared to the case of BLT (unconditional cash transfer) in 2005-2006 that was marred with violence, today I can say it can be avoided because everyone is now involved in the process and gains relatively equal benefits than before...”

Apart from the capacity issue, newly established local governments in transitional times encounter multiple internal hurdles. One among these obstacles is the problem of coordination. Resentment towards UTPK as a new agency was based on positive discrimination in respect of the budget and flexibility on recruiting talent. SP integration entails institutional upgrading but creates repercussions and crowding-out of the budget which eventually triggers friction within the local administration. In the end, it will risk affecting the programmes that by design involve wider collaboration between offices. As quoted from an officer in the Social Welfare Office in Sragen:

“We do not begrudge the newly established agency (UTPK), we also completely understand that they have special mandate from *pak Bupati* but we would like to express our concern that if UTPK had been given much attention without careful consideration on existing regulations, one day we will see this ending up with serious problems. Now it seems easy for them to obtain limitless funds and recruit talent from many offices, but I worry that they have bypassed and infringed many regulations”

The decentralisation of authority can be simply translated as ‘windfall’ in the local government budget through intergovernmental transfer. Increased authority allows local agencies to develop new activities or set up new units. Local governments, however, must make difficult choices in allocating scarce funds for development. Investment in social infrastructure can be difficult to justify when the ‘returns’ may not be realised for a decade or more. Especially when governments are facing pressures from local constituencies, infrastructure projects such as a bridge, market building, or roads may offer more tangible returns for the taxpayers or campaign-funders. Experiments in expanding SP programmes will definitely put other programmes aside and potentially drain limited resources. The anxiety is not uncommon among officials in various units, as mentioned by an official working in the Local Budget Office in Sragen:

“People always think that through decentralisation nowadays local offices hold abundant development funds. That perception is untrue, as we can see from the budget report that most of the expenses went to the salary and routine disbursement. I realise the establishment of UTPK is necessary to attain the development objective as stipulated in RPJMD, but I began to worry after knowing this new unit requires huge initial investment and high cost for the upkeep.”

The problem of coordination did not really become a serious issue in Surakarta. Frictions among policymakers on issues such as local budget and authorities are less prominent for the most part because local offices share authority relatively more equally. Unlike Sragen, where UPTPK acts like a superior body overriding existing regulations, there is a potential clash amongst offices in Surakarta, hindering the prospect of coordination. Minor problems occurred when a local office had to use inexact beneficiaries' data from the central government (PPLS) as a condition to execute important programmes like rice subsidy while locally-collected data was considered more accurate. Most of the time, the problem was solved through deliberative mechanisms to use both sets of data for the sake of budget and programme continuity.

Last but not least, the key problem of newly-established local agencies is capacity. This problem constantly appears in the context of decentralisation in developing countries. Lacks of funding and weak personnel capacity are interrelated factors that inhibit the initiative. The word-cloud in Figure 6.9 depicts the hundred terms most commonly used in discussions of decentralisation.



Figure 6.5 High Frequency Terms in Discussion of Decentralisation

Undertaking survey for targeting has not been an easy task, particularly in regions where capacity and resources are limited. Targeting process in Sragen relies heavily on the poverty survey. Officials are equipped with basic knowledge on survey technique. A single-page questionnaire form (see Figure 6.10) is designed very simply with around twenty short questions. At a glance, this form appears to be an abridged version of BPS' form for similar purposes. Upon completion of the survey, the forms will be assessed, sometimes on the spot, to count the scores and determine the eligibility of households to obtain benefits. With the infrastructure marred by lack of maintenance and slow development,

logistical challenges inevitably become the most significant impediment. Therefore, this activity is often arduous, challenging, and sometimes frustrating because most locations are remote.

As the survey is normally conducted during daytime (working hours) and without prior notification to anticipate for moral hazard,²¹ it is consequently quite frequent that the household head is not at home, which causes the officers to repeat the visit without certainty of meeting the person. Officials undertaking the survey need not elaborate on the closed questions as they are already straightforward to answer. Yet, more importantly, they should be able to recognise and filter sincere responses. With regards to the questions related to assets ownership, surveyors have the right to inspect, if necessary, the actual conditions in a household to verify the responses. Respondents might be providing false responses on socio-economic status (such as employment, education, expenditure, and income) deliberately, while the validity of responses in terms of durable assets might be difficult to fake. Moreover, the surveyor can also verify the information against statements from neighbours or community leaders.

²¹ In the past, when the surveyors from BPS visit the households to determine the eligibility of cash transfer recipients, it is common that households tend to conceal their assets. Therefore, the idea of unnoticed visits is expected to surprise the households and prevent them from hiding their assets.

PEMERINTAH KABUPATEN SRAGEN
UNIT PELAYANAN TERPADU PENANGGULANGAN KEMISKINAN
 Jl. Raya Sukowati No. 255 Sragen, Telp. (0271) 8823700 / 891026 pswt 225
 Website : uptk.sragenkab.go.id dan Email : uptk@sragenkab.go.id

FORM SURVEY VALIDASI RTM

Nama KK :

Alamat :

1	Jumlah KK dalam 1 (satu) Rumah	1 > 3 KK	2 3 KK	3 2 KK	4 1 KK
2	Jumlah Anggota Keluarga dalam 1 (satu) Rumah	1 > 8 atau 1/2 orang/laris	2 5 orang	3 4 orang	4 1/3 orang
3	Pendidikan Kepala Keluarga	1 Tidak sekolah/Tidak tamat SD	2 SD	3 SMP	4 SMA/SMK/PT
4	Jumlah Anggota Keluarga Masih Sekolah (abaikan jika no 4 bernilai 1)	1 Tidak ada karena tamat semua	2 > 3	3 1-3	4 Tidak ada
5	Tingkat Sekolah Tertinggi Anggota Keluarga Masih Sekolah (abaikan jika no 4 bernilai 1)	1 Perguruan Tinggi	2 SMA/SMK	3 SMP/SD	4 Tidak ada
6	Jumlah Anggota Keluarga Bekerja (termasuk KK)	1 Tidak ada	2 1 orang	3 2-3 orang	4 > 3 orang
7	Jenis Pekerjaan Tertinggi dalam Keluarga (abaikan jika no 6 bernilai 1)	1 Buruh Serabutan	2 Petani Sewa/Pedagang Kecil	3 Petani (Panen < 30th)/Karyawan/Buruh Tmp/Tukang	4 Petani (Panen > 30th)/Pedagang besar
8	Total Pengeluaran dalam Satu Keluarga per Bulan	1 < 400 ribu	2 400-700 ribu	3 700-1 juta	4 > 1 juta
9	Total Penghasilan dalam Satu Keluarga per Bulan	1 < 400 ribu	2 400-700 ribu	3 700 ribu-1 juta	4 > 1 juta
10	Status Kepemilikan Rumah	1 Milik Sewa/Sewa Gratis	2 Sewa < 1 juta	3 Milik Sendiri Tua/Wartan	4 Milik Sendiri Sewa > 1 juta
11	Luas Bangunan	1 < 50 m ²	2 50-75 m ²	3 75-100 m ²	4 > 100 m ²
12	Pondasi Bangunan	1 Tanpa Pondasi	2 Pondasi Gak permanen	3 Batu bata	4 Batu Kali/Banyan
13	Kondisi (abaikan jika no 9 bernilai 1)	1 Rusak	2 Sedang	3 Baik	4 Baik Sekali
14	Material Rangka Atap Terluas	1 Bambu	2 Kayu secukupnya	3 Kayu Kalimantan	4 Kayu Jati/Bayu Ringan
15	Kondisi	1 Rusak	2 Sedang	3 Baik	4 Baik Sekali
16	Material Penutup Atap Terluas	1 Asbes/Geng	2 Genteng Biasa	3 Genteng Mersa	4 Belah
17	Kondisi	1 Rusak	2 Sedang	3 Baik	4 Baik Sekali
18	Material Lantai Terluas	1 Tanah	2 Lantai per bata bata	3 Tegel	4 Keramik
19	Kondisi	1 Rusak	2 Sedang	3 Baik	4 Baik Sekali
20	Material Dinding Terluas	1 Bambu	2 Papan kayu biasa/Seng	3 Papan kayu biasa/Batu	4 Papan kayu biasa/Batu/Batu
21	Kondisi	1 Rusak	2 Sedang	3 Baik	4 Baik Sekali
22	Sumber Air Bersih	1 Sumur Milk Tetangga	2 Sumur milk sendiri	3 BAWA/Tembaga	4 RUMAH/Batas air tetangga
23	Toilet	1 Umum	2 Milk sendiri kondisi jelek	3 Milk sendiri kondisi sedang	4 Milk sendiri kondisi baik
24	Penerangan Rumah	1 Listrik Numpang	2 Listrik 450 Watt	3 BAWA/Watt	4 Listrik > 900 watt
25	Bahan Bakar Depur	1 Kayu bakar	2 Kayu Bakar & Gas	3 Gas 3 Kg	4 Gas > 3 Kg
26	Perabot Rumah	1 Sederhana	2 TV > 21"	3 Kulkas	4 Mesin cuci
27	Transportasi	1 Jalan kaki/Sepeda/Sepeda Motor Sederhana	2 Sepeda motor 1 buah dengan kondisi baik	3 Sepeda motor > 1 buah dengan kondisi baik	4 Mobil
28	Keluarga yang Sakit Kronis / Menahun	1 > 3 atau 1 orang (Kepala Keluarga)	2 2 orang	3 1 orang (Kepala Keluarga)	4 Tidak ada
29	Jenis Penyakit Terberat	1 Berat	2 Sedang	3 Ringan	4 Tidak ada
30	Aset yang Dimiliki dan Bisa Dijual dalam Waktu Cepet	1 < 1 juta	2 1-5 juta	3 5-10 juta	4 > 10 juta
		(1 x =)	(2 x =)	(3 x =)	(4 x =)
Keterangan : SM : 27-42 M : 43-58 HM : 59-74 RM : 75-90 Mampu : > 90		TOTAL			
Catatan :		Tanggal Survey :			
		Responden :			
		Surveyor :			

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Figure 6.6 Poverty Survey Questionnaire in Sragen

The process can be more laborious when the household is suspected not to be eligible as beneficiary. Usually, in the case that the household is suspected as being ineligible, the official requires confirmation from community leaders and the neighbours before the decision is finally taken. Unlike targeting processes undertaken by the central government, this local version of the poverty survey enables failed applicants to appeal or protest regarding the final outcome. Normally, those disgruntled households will eventually understand the outcome, especially after hearing the explanation from the

scoring process and methods. This procedure is important to ensure transparency in the survey. In addition, the implication of this mechanism will assure to a certain extent the confidence level of society towards the targeting exercise. Therefore, unlike in previous surveys attempted by BPS, conflicts and resentment are more likely to be suppressed with this grievance mechanism.



Figure 6.7 Survey Visits at Potentially Eligible Households



Figure 6.8 Survey Visits at Potentially Ineligible Households

The form designed to enumerate socio-economic conditions for potential beneficiaries is considered reliable and versatile to the extent that it allows surveyors to undertake the process in a relatively efficient way. The survey and its methods are later replicated by other institutions, such as faith-based organisations (FBOs). Muhammadiyah – the second largest Islamic foundation in Indonesia – has been

active in adapting and developing SP programmes targeting specific regions where the organisation has the most vulnerable members. However, constrained by resources and aiming for increased effectiveness, they inevitably need to perform targeting to select beneficiaries. Traditionally, Muhammadiyah focused the operation mainly in urban areas where finding beneficiaries is more difficult. Having formed its charity institution to manage alms and donations (*Lembaga Zakat Infak Sedekah Muhammadiyah*, shortened by LAZISMU), the organisation aims to adopt more innovation for distributing benefits to the needy.

In collaboration with UTPK, LAZISMU has been embracing the notion of formulating 'scores' to determine the eligibility of beneficiaries. Therefore, it then emulated the survey in a special form. The form is generally similar to that of UTPK, with specific focus on education which encompasses tuition costs, academic achievements, and related needs (uniform clothing, books, stationery, transportation expenses).

Once the rosters are collected through the poverty survey, LAZISMU then arranges benefit distribution according to the specific needs. Yet, in several cases when the number of eligible beneficiaries exceeds the available resources, LAZISMU will contact UTPK for providing assistance. As the form was already made under the consultation, UTPK in most cases will generally accept the rosters as additional beneficiaries for the current fiscal year. Only when the budget was already nearly exhausted did UTPK keep them for the upcoming fiscal years. In order to avoid double applications and overlapping, UTPK will firstly input the proposed lists to the maintained database and keep the records for the further use. Only in a few cases where possible and where suspicion arose, UTPK will undertake spot checks randomly to verify these new additions.

**FORM SURVEY MUSTAHIK
LAZISMU SRAGEN**

Nama KK :		No.Telp:	
Alamat :			
No	Nama Mustahik	Sekolah	Keterangan
1			
2			
3			

INFORMASI KELUARGA

1	Jumlah Anggota Keluarga	1	> 6(atau 1 org lansia sebatang kara)	2	5 orang	3	4 orang	4	1-3 orang
2	Jml Anggota Keluarga masih sekolah	1	> 3 orang	2	2-3 orang	3	1 orang	4	0 orang
3	Jumlah Anggota Keluarga Bekerja(termasuk KK)	1	0 orang	2	1 orang	3	2-3 orang	4	> 3 orang
4	Jumlah KK 1(satu) Rumah	1	> 3 KK	2	3 KK	3	2 KK	4	1 KK
5	Kelengkapan Wali Hidup	1	Ayah-Ibu	2	Ayah/Ibu Saja	3	Yatim Platu	4	Wali Angkat

KONDISI RUMAH

6	Status Kepemilikan	1	Milik Ortu	2	Pinjam Gratis	3	Menyewa	4	Milik Sendiri
7	Luas Bangunan	1	< 50m2	2	50 m2-75 m2	3	75 m2 - 100 m2	4	> 100 m2
8	Material Atap	1	Bambu	2	Kayu dg Kualitas jelek	3	Kayu dg kualitas sedang	4	Kayu Jati
9	Material Lantai	1	Tanah	2	Lantai cor/ Batu bata	3	Tegel	4	Keramik
10	Material Dinding	1	Bambu	2	Kayu Papan	3	Tembok lama/sy.jati	4	Tembok kualitas baik
11	Sumber Air Bersih	1	sumber air milik umum	2	Sumur milik tetangga	3	Sumur milik sendiri	4	PDAM/membeli air kemasan
12	Toilet	1	Umum	2	Milik sendiri kondisi jelek	3	Milik sendiri kondisi sedang	4	Milik Sendiri kondisi baik
13	Penerangan Rumah	1	Lampu minyak	2	Ustrik numpang	3	PLN 450 watt	4	PLN 900 watt
14	Bahan Bakar Dapur	1	Kayu bakar	2	Minyak tanah	3	Gas 3 kg	4	Gas 12 kg
15	Peralat Rumah	1	Tidak punya	2	TV	3	Kulkas	4	Mesin Cuci
16	Transportasi	1	Jalan kaki/Sepeda	2	Spd.motor 1 bh	3	Spd. motor >1 bh	4	Mobil

KONDISI SOSIAL EKONOMI

17	Pendidikan KK	1	Tidak sekolah	2	SD	3	SMP	4	SMA/SMK/PT
18	Pekerjaan klt	1	Buruh tani	2	Buruh Jasa	3	Petani/ Pedagang kecil	4	Wirasaha/ Pedagang besar
19	Total penghasilan 1 keluarga per bulan	1	100 - 300 ribu	2	400 - 600 ribu	3	700 - 800 ribu	4	> 900 ribu
20	Keluarga yg sakit kronis/manahun	1	>3 orang atau 1 (KK)	2	2 orang	3	1 orang	4	Tidak ada
21	Aset yang dimiliki bisa dijual cepat	1	Tidak punya	2	< 1 juta	3	1 s.d 5 juta	4	> 5 juta

INFORMASI/RINCIAN BIAYA PENDIDIKAN

	SD	SMP	SMA/K	PT
22	Prestasi Akademik			
23	Prestasi Non Akademik			
24	SPP/bh			
25	Buku/LKS/Seragam			

RINCIAN BIAYA HIDUP

26	Uang Makan	Tagihan Listrik/Air	Bensin/Transport	Sosial Tetangga	Lain-Lain
	Rp.	Rp.	Rp.	Rp.	Rp.
Jumlah: (1X.....)=		(2X.....)=	(3X.....)=	(4X.....)=	
Keterangan: SM: 20-30 M: 31-40 HM: 41-50 RM: 51-60					Total
Tgl Msuk Laporan		Hari/Tgl Survey		Tgl.Realisasi	
				Realisasi:	
Responden		Surveyor		PROGRAM	

Figure 6.9 Poverty Survey Used by a Faith-Based Organisation

In sum, the initiative for improving the targeting process is motivated by the need to supplement those poor people who have been largely left out. Pivotal in this approach is the attempt to simplify the design of the questionnaire form, and to introduce a scoring system for selecting beneficiaries. To a large extent, this mechanism and the active poverty survey could enhance the current system for managing beneficiaries at the local level. Yet, the main drawbacks can be spotted, particularly in parts where many applicants are not eligible but insist on applying for benefits. This typical case can potentially reduce the effectiveness of the poverty census and add complications for scrutinising beneficiaries. Most of the initiatives are apparently concentrated on increasing the coverage of beneficiaries. Under stringent financial circumstances, this might exhaust the available resources and neglect other local development priorities.

6.5.2 Participation and Empowerment are Enhanced but Challenges Remain

There has been ample evidence pointing to the increase in participation that is the result of expanded SP programmes, especially on schemes with catchphrases like ‘community development’ or ‘participatory process’. The intended result of SP can encompass a broad range of objectives. With regards to participation, SP is often expected to ignite or stimulate effective involvement of stakeholders in all phases, from design, to implementation, to the monitoring of programme.

Overall, there have been various attempts to meet the immediate economic needs of local citizens by harnessing their local knowledge. The degree of participation varies across SP programmes. For instance, conditional cash transfer might require active participation of the beneficiaries more than in any other programme. Meanwhile, community and economic empowerment programmes usually necessitate intense involvement from facilitators.

After three decades of authoritarian rule which discouraged citizen participation, implementation of the new model of SP had opened new perspectives in defining participation, more importantly, at the local level where the locus of development is believed to take place. Previously in the New Order era, rarely did the central government put participation as an important element in any development programme. Nowadays, with the enactment of the Village Law in 2014 that expectedly will bring much devolution to the lowest layer of administration, funds from the central and provincial government will be disbursed directly to villages. To acquire these funds, villages were required to compose proposals in open, deliberative meetings for approval. These meetings were organised and supported by facilitators (most likely from the outgoing PNPM programme), who also oversaw the execution of the projects.

In the monitoring and evaluation process, for safeguarding the implementation of SP programmes, the participation of stakeholders is crucial to build trust and public support behind schemes, and ensure that there is a sense of ownership. In the case of Sragen and Surakarta, beneficiaries, non-beneficiaries and community leaders and authorities all agree that participation, most importantly in beneficiary selection processes, was necessary to overcome the problems that had happened in the past.

Nevertheless, distortions and capture by local elites is widely recognised as surrounding the implementation of participation at the local level. Also, when the initiation of participation is not accompanied with the increase in human capacity, the outcome is usually sub-optimal. Many instances show the failure of beneficiaries in understanding the concept, let alone their role in a programme. Therefore, it raises another issue, i.e. dependence on 'middle men' (such as facilitators) which resembles the existing mechanism of patronage. The problem is not uncommon in Indonesia thanks to a long legacy of authoritarianism, political patronage and weak institutions. In this situation, access to services on SP programmes is governed more by personal connections than legal status.

A cursory look at SP programmes at the local level points to discernible evidence that participation amongst members of society is increasing, albeit rather gradually. This can be seen clearly during the regular meetings attended by beneficiaries and local officials. As a recipient of *Kartu Menur* said:

"Of course, I will always try my best to attend the meeting for getting more information to participate and obviously to obtain the benefit that I need. I also enjoy meeting with neighbours and friends from other *kampung* (neighbourhoods). Sometimes, materials given during the meeting are very useful. For example, now I know better about child care and education, something that I never learned and always relied on what people suggested"

As is common in other developing countries, stakeholder engagement in SP encompasses not only local government, but also inviting the greater involvement of non-state actors. Local NGOs are expected to play an important role in shaping policies as well as safeguarding implementation. The Department of Health Affairs in Solo solicited the help of the citizenry, especially the city's active NGO community, to register residents. At the end of 2007, the department started publicising the health care programme in print and electronic media and through community meetings.

Based on previous studies, a higher extent of public participation was attributed as the key to success in exerting positive changes concerning political, democratic, and governance aspects, among others. These reforms were widely adopted and copied by developing countries and pushed hard by international donors. They were designed to promote basic values like public participation and accountability as the foundation for broader social change. Meanwhile in Indonesia, a long list of political reforms was instituted, from direct elections for national and local government to the

introduction of new institutions at the community level like the village assembly which executes and oversees development projects.

During three months of fieldwork in 2015, I had the opportunity to observe how the reforms have worked in practice. What I found is a much more complex picture of social and political transformation. Today, the citizens I have seen are certainly more critical and politically savvy compared to 15 years ago. In a typical 5-year democratic cycle, they may vote several times for candidates at the national level all the way down to their neighbourhood leaders.

Communities have also been equipped with a sophisticated system of checks and balances in which the village assembly plays the role of legislature in controlling the executive authority of the village head. It mimics the national state in miniature, with its own consultations, budgets and laws. The intention has been to foster 'good governance' at and from the grassroots level.

Nevertheless, careful and deeper looks into the everyday lives of citizens in Surakarta and more prominently in Sragen reveal clear signs that the old patronage structures are already subverting the new local institutions. For example, all the leaders in the village are elected, but the influence of money is still rampant. The whole political structure is practically controlled by one dynasty or oligarch who contributes their money to 'buy' votes for the candidates they endorse. As one villager told:

"Today, being a leader is not difficult, even for someone with no talent or experiences of leadership, as long as they have a lot of money to bribe the people."

Most of the citizens I interviewed are fully aware of this fact and express their disagreement, but nevertheless they go along with it: "I know it isn't right, but almost all candidates are doing that, so who should we choose? Besides, we don't see it as buying our votes but as charity."

In order to access entitlement programmes and assistance for services like health and education, citizens rely heavily on middle-men like community activists or volunteers to help them navigate the deterring and complex administrative procedures of hospitals, schools, and government offices. Like one of beneficiaries explained:

"It's very complicated to deal with the documentation before using the health care card at the local hospital, so we need someone to take care of it, while we take care of the sick....It's just easier to ask and pay someone. Owning a health insurance card isn't a guarantee of obtaining medical help, since dealing with the staff is often an agonising experience."

The situation is typical where the mediator was invited to intervene, for they were able and trusted to take care of all these hassles. The mediators themselves argue that they just want to help people. They argue that the money is just sufficient to cover transportation and communication costs.

According to beneficiaries and mediators, the amount of money is never fixed but depends a lot on circumstances like distances covered and difficulties.

In this scope, the challenge of transformation of participation is not only a matter of institutional reform, but instead a deeply cultural and personal process that lives in the history of each region, in people's past perceptions and daily experiences. These are elements that are often missed by policymakers who tend to assume that people will readily be willing to attend new offices, participatory meetings, and take part to hold elected leaders accountable for their decisions. Instead, wariness, fear, and disappointment forestall citizens from engaging with government in order to claim their rights:

"One time, I tried to go to the village head to ask about assistance to renovate my dilapidated house. I heard the programme mentioned by my neighbour who understands better. The village head said he would help me and promised to visit my home. But many years on, I still got nothing. So that's it for me, I will never ask for anything again. It's embarrassing to ask the same thing again and again once you get ignored." (A non-beneficiary living in Sragen).

The ordeal can potentially trigger deeply-entrenched clientelism in the form of 'money politics'. Usually, a broker who has broad connections with parliaments and the bureaucracy at the local level and sometimes even with Jakarta will offer promises to citizens who failed to access SP benefits for various reasons. If the offer is accepted, not only will the clients receive the benefits but they will be given a further promise for benefiting from other programmes. This will require compliance from citizens in the form of votes during local election. Although this seems to be a very loose contract between two parties, the strategy has been proven effective, at least according to the testimony from beneficiaries who were in favour of this scheme:

"As much as complexity prevents many illiterates like me to access the government programme, I could not refuse the offer from Pak... [name undisclosed, a beneficiary in Sragen] whom I usually meet in the mosque. Initially, we merely talked about random topics, but then we ended up discussing social issues and problems on welfare. It obviously became of much interest to me. And when he said that he could help me to access several government programmes, I started to pay more attention. The next day, he said that we'd better discuss it at my house for the sake of privacy and convenience. When we finally met at home, he said more openly that he could help but with certain conditions though no formal documentation was involved at that time. A few weeks afterwards, he came with a letter, a receipt, and sums of money. The amount of money was less than stated in the receipt as he needed to cut some for his expenses (journey to Jakarta) and 'administration'. We concluded this meeting with his request that I vote for a person from a renowned Islamist party, and more assistance can be delivered upon his success in the next election." (Another beneficiary in Sragen).

The story above exposes the case where components of SP have brought unintended consequences, i.e. creating dependency on 'middle-men' and inculcating practices of 'transactional' politics which is

potentially detrimental to local democracy. This case also uncovers the persistent problem of a complex bureaucracy that impedes people from accessing benefits and hindering public participation. Consequently, local SP programmes will be ineffective and costly in reaching beneficiaries. Detailed discussion on local politics and its relationship with SP is discussed in another section of this chapter (6.6.5).

Therefore, participation is the main aspect of SP and seems to constitute a great role in defining its success. With the advantage of hindsight, it appears that stakeholders encompassing beneficiaries, facilitators, and others could adapt staggeringly with newly introduced schemes on various SP programmes which impose active engagement on its implementation. However, it seems that an approach to enlighten beneficiaries needs to be carefully constructed to mitigate the risks of ‘money politics’ and to enable people to better participate in other civic programmes and ultimately to claim citizens’ rights.

6.5.3 Positive Impacts of SP on Community Relations with Cautions on Risk of Mistargeting

In addition to being protective (providing relief), preventive (averting deprivation) and/or promotive (enhancing incomes and capabilities) SP interventions can be ‘transformative’. Transformative objectives aim to address concerns of social equity and exclusion which often underpin people’s experiences of chronic poverty and vulnerability. However, recent research points out that SP programmes are evaluated against their first order effects on poverty or human capital, with their impact on social relations within and between households typically more limited. Feeling a sense of shame in being poor and receiving social support, such as cash transfers, is a common theme.

SP programmes in general can have positive as well as negative impact on social capital. Evidence from parts of the world shows that such assistance can result in increased collaboration and trust at community level (e.g. through greater participation in community meetings—as part of the condition to receive benefits—or increased involvement in community saving initiatives) or more positive relationships due to a reduction in hunger, stress, begging or even reduced crime. However, this does not necessarily translate into an articulation of voice in local politics. Several SP programmes can have negative repercussions if the targeting is perceived to be unfair, as was seen with Indonesia’s early cash transfer implementation.

Some key findings about social institutions of relevance to collective risk management arrangements include that first, community institutions range from informal reciprocal systems for assisting people in distress, typically underpinned by kinship, to more formalised *gotong royong* institutions with set times, activities and assigned responsibilities. A large range and number of local institutions, informal

civil society groups and collective customs are of relevance to community social life and risk management.

Second, in most rural communities, with the presence of ubiquitous SP programmes, citizens noted that collective social life remained strong. Many people offered several examples of activities that were conducted collectively or in the wider community interest, of which several were relevant to coping with crisis. Perhaps intuitively, urban and semi-urban communities were more fragmented and predominantly had fewer functioning institutions. This was also generally true of more socially diverse and divided communities, although there were notable exceptions in which people from different religious backgrounds described collaborative working and mutual aid systems across faiths (see quotations below).

According to a neighbourhood leader in Sragen, there was no such helping habit between people in his community. He said this happened because the place he lived in was already in the city. Many people prefer to live individually. However, he still felt the spirit of helping each other with some of the other residents whom he had already known for a long time. Until then, his family had never received any donation or funding, they had only received *zakat* (a fixed amount of charity given to the poor according to Islamic rule) during Eid ul-Fitr (annual religious festival ending the fasting month of Ramadan).

“People who live here are not generous in giving these days. How can it be? Well, they always think about what they will get when they give away something to others or becoming more transactional, so to speak.”

As he went on to say:

“Now some people are protesting, because there is a suspicion on cash or rice distribution. Consequently, the *gotong royong* culture (mutual help or joint bearing of burdens) which used to be good now does not exist anymore. Everyone wants to be the leader. Yet, people won’t listen anymore. Moreover, the provocateur is the village apparatus themselves. The local government staff can be the provocateur, causing conflict in the community.”

Within more diverse communities, clan, kin, ethnic or faith identities were likely to draw people together, so that there were pockets of strong social cohesion within larger and more diverse and fragmented village territories. Customary and collective risk management institutions were by no means always positive: in a significant number of communities, poorer people noted that the costs of compulsory participation or voluntary contribution to marriage or mourning events were often so onerous as to exclude or burden them excessively. This was sufficiently widespread to constitute a non-trivial finding. This evidence is also a reminder that it is important to avoid romanticising

customary institutions which in the context of a modern market economy may have outgrown their purpose.

The overall pattern of findings regarding the impact of SP on social relations is summarised in this section. In the overwhelming majority of locations, there was some social disruption and negative effects from the introduction of SP components such as cash transfer and rice subsidy where most of the imprecise targeting cases occurred, but these were neither very serious, nor did they endure. In a small number of cases, various SP programmes were received generally positively, or at least encountered no more of a negative response than other government programmes. And in a very small number of cases, I identified lasting negative impact. As will be discussed below, the enduring negative impact was related to officials and local leaders rather than to relations between ordinary members of the community.

There can be no doubt that several SP schemes widely caused jealousy, disagreement, resentment, and some disruption to ordinary social relations. However, this conflict was chiefly 'of the mouth' rather than more confrontational or violent aggressive responses: most reports of the impact of SP on community relations were of complaints, whispering and gossip, and some joking about those who received it by those who did not but felt eligible:

"We don't have any conflicts concerning the social programme here ... even if there is one, maybe just some rumours about it. Actually, protests did happen, but it didn't escalate into making a huge fight, only fierce arguments (altercation) against each other..." (A facilitator in Sragen).

There were some indications that women were apparently prominent in protests and complaints, possibly because they face the challenge of managing families most directly. In several sites, community leaders mentioned whispering campaigns and gossip among the women. But women were also at the forefront of some protests, and many appear to have felt their exclusion from the SP programme keenly. One woman in Surakarta who were not registered as beneficiaries said that:

"If I see someone received the benefit, it really hurts my feelings, so to see [that] I have the desire to come and get angry at the location where the benefit was distributed (cash or rice). But my husband would not let me do such an action and he said: "aren't you ashamed to fight with those people who received assistance just because of money or rice." Listening to his words made me stay in silence."

There were a small number of more serious incidents, in Sragen, where a village leader official was openly rebuked and verbally abused by people who had not received the payment, to the point that he gave up and offered to resign. In neighbouring areas, it was reported that the RT head's house had been attacked.

There was limited evidence of sustained negative impact on the quality of social relations within communities; the ill-feeling between recipients and non-recipients was generally either mitigated by voluntarily sharing the benefit, having it shared by distributing officials, or defused gradually by the passage of time and the stronger perception of the need to live well together. In addition, for most people, the amount of benefit was not large enough to deserve sustained conflict or ill-feeling with neighbours or fellow community members. Like the excerpt from an interview with a beneficiary in Surakarta:

"The feeling of envy and jealousy always occurs between the recipients and non-recipients, but it will not affect the established kinship system and the tradition of helping each other between the citizens in this village, I feel that way. And so I happened to be one of the cash transfer recipients in 2008, and there was one of my next door neighbours who felt that way... from what I've seen, I don't see there is a change in our social relationship and also people's participation among the citizens before and after cash transfer. And maybe because the thing I said earlier, the amount of money is relatively small and given only thrice a year, so [there was] no influence on the people here. But yes, there was a conflict raised when it was distributed, yet it was more because there is no transparency of the data from BPS and there was no clarity about the source of the funds, that caused a misunderstanding to arise."

An important impact on community relations was that in several places, dissatisfied non-recipients were said to be unwilling to participate in voluntary work for the community. As one religious cum community leader in Sragen explained,

"people who didn't get the cash transfer, subsidised rice, or health care often said that they don't want to be involved in community activities anymore."

It seems that non-recipients felt excluded and showed their displeasure by temporarily withdrawing their support for communal activities. It is not clear how long this situation lasted, but most people who mentioned this issue noted that it did not last long. Nevertheless, this withdrawal from community life was memorable to have been recalled several years later and clearly had considerable significance in relation to social cohesion.

Local officials and community leaders appear to perceive SP, particularly cash transfer and rice subsidy, as having had more negative impact than other communities largely because these persons were the subject of protests and complaints. In a significant minority of communities, SP is associated with lasting distrust of local officials and community leaders, and even more so of central government practices of targeting. However, it could not be determined whether the negative impact on community trust of local officials was exclusively or mainly the result of SP programmes; given the frequency of complaints about and allegations of corruption or mismanagement in other central and local government programmes of much greater duration and size, it seems unlikely that this distrust

owes exclusively to SP. The lack of faith in central government targeting procedures, however, clearly originates with the beneficiary selection process of SP programmes.

In a nutshell, the introduction of new SP programmes in both districts has been able to foster relationships among community members. The traditional social fabric remains resilient in the midst of disputes caused by deficiencies in targeting or malfeasant administration. In many cases, local leaders played an important role in recovering and maintaining public trust during difficult times. Simple innovations like displaying the list of beneficiaries in public spaces for checking and equal distributions of benefits to cover non-beneficiaries are commendable, and were proven effective in defusing disgruntled citizens. Nevertheless, the problems surrounding targeting had been perceived as the most important factors in conserving community relations.

6.5.4 SP and Local Election: Is Entitlement Worth the Vote?

In what follows, I continue to illustrate how the distribution of SP benefit and politics are intertwined and what sorts of pathways of power are taken by politicians, including the incumbent administration at the time of political contest. A cornucopia of studies on the relationship between local democracy (i.e. direct elections) and the expansion of SP points to distributive politics, touching upon a wide range of aspects from clientelism, pork-barrelling, patronage, to vote-buying. Similarly, as the quantitative analysis part of this research supports the presence of the PBC at the provincial level, there has been significant expansion of the SP (or SP-related) budget at the municipal or district level, including Sragen and Surakarta. Programmes are usually disbursed near the time of election and often involve networks of informal brokers.

The impact of the SP budget during election is not confounded, evidently based on the fact that the incumbent in Sragen was defeated in the last local election (December 2015) leaving a big question mark as to whether his achievement in building an integrated SP system helped him during the election or not. With recognition from various agencies and international awards given at the end of the incumbent's administration, the popular vote was previously expected to be for the incumbent, but along the way it seemed that more citizens felt the current administration only cared about social development while leaving the economy and infrastructure untouched. A member of the legislature in Sragen had actually expressed his concern long before the election:

"To be honest, I actually already said to pak Bupati about this (his decision to prioritise social development). Although I really appreciate the hard work which now comes into fruition, I do not think that it is sufficient to guarantee him the seat for another term. People will ask for more, like road improvement which has been long overdue and now in a bad condition. The current policy seems to only target vulnerable groups which are

obviously very significant in numbers, but as we witness the growing proportion of the middle class segment, the election might be determined by their aspiration.”

Meanwhile in Surakarta, the success of Jokowi’s leadership in his two periods of mayoralty (2005-2010 and 2010-2012) has left impressions unprecedented for the electorate mainly with his SP programmes and focus on vulnerable groups as beneficiaries. This approach and his casual style managed to attract public attention and gain media coverage. The legacy was successfully capitalised by his successor, FX Hadi Rudyatmo, to win the election in 2015. Not only did SP catapult Jokowi’s political path to the national level, but his strategy in managing SP in Solo and Jakarta (in 2012-2014) had influenced other candidates in many regions. This can be summarised by an excerpt from an interview with a parliament member in Solo:

“Finally, we can witness the positive result of democratisation and to a large extent also decentralisation. Solo, and I believe many other districts, have potential and capable candidates participating in every election. The strategy on prioritising SP and focusing on vulnerable groups certainly comes into fruition. However, we should be cautious that the work of politics is not necessarily predictable, especially as we know that democratisation is not in the mature stage yet. It can be still easily fraught with money politics and all the dirty images of politics.”

During election periods, electoral dynamics were largely shaped not only by entitlement policies of the incumbent leader but also by the strategies from other candidates. I find that in many ways electoral dynamics in Sragen and Surakarta share a high degree of resemblance. Most candidates targeted voters from vulnerable groups and used patronage networks to attract their support. I found relatively less one-on-one retail vote buying, as occurs elsewhere in the country, instead there was a lot of delivery of club goods such as small-scale projects for communities, usually with the neighbourhood heads acting as brokers. As in any other regions, candidates mostly built personal campaign machines instead of relying on party structures to undertake their campaigning. Many candidates also used religious, ethnic, and other informal networks to reach potential voters. In addition, there were many candidates who combined these approaches with more programmatic appeals, media strategies, and appeals specifically to middle-class voters. Above all, electioneering in Sragen and Surakarta was primarily characterised by what could be called *clientelist social welfare*: many voters wanted access to health, education, and other services while many candidates strove to deliver such services in ways that would generate personal political debts.

In reaching out to poor voters, there were normally four preliminary steps. Firstly, candidates typically mapped out areas to target where they predicted higher potential votes. Occasionally, it seems, they did mapping on the basis of previous election results. Candidates also aimed for areas where they had personal or network connections. A member of the legislature whom I interviewed employed a professional consultancy firm to map areas where he had received the highest number of votes in

2006, identifying *kelurahan* (precincts or urbanised village) which he later made the focus of rallies. Moreover, he mentioned that some of his colleagues also resorted to professional political firms to identify locations where their popularity would be high:

“I personally prefer to rely on familial network and kinship connections to sort things out, but these days we face harsher competition and fiercer rivalry in politics, even within our party internally, and I did not have much choice but use their (professional firm) service to get the upper hand. In 2006, when I did not use this kind of service, informal networks and family connections were largely my success factor but as time went by who can be sure that one is still loyal or not...”

Secondly, candidates established ad hoc ‘success teams’ whose job was to reach out to voters in these target areas. Most teams adopted the basic structure of territorial organisation commonly found throughout Indonesia. One of the largest teams I found was that of one candidate who claimed to have a thousand *relawan* (volunteers) in his team spread across 20 precincts. Depending on the candidate’s campaign budget, some of the people occupying top positions in these structures were paid honoraria, albeit modest, around Rp250,000 to Rp1.5 million though at different rates (thus the Rp250,000 payment was for menial jobs such as photocopying or distributing flyers; the higher payment was a monthly regular salary). In addition, candidates also worked through any social networks they could establish or had access to in order to mobilise support. One MP from Golkar was known for his association with large farmer organisations. Other members generally used ethnic or religious networks, providing a hint to identity politics. Most advanced teams could even identify the amount of largesse for electorates in a region. This will to some extent shape the SP-like programmes from the perspective of MP candidates.

Thirdly, candidates then mobilised their teams to boost recognition of their name by distributing equipment: t-shirts, posters, banners, stickers, and other merchandise through areas identified as targets. As a result, even the narrow alleyways that wind through *kampungs* in Solo and Sragen were festooned with banners and posters. Almost all the grid poles and public lights were covered with pictures and slogans, mostly awkwardly worded. Some candidates, aware of the saturation advertising on the roadsides, tried to cut through the noise by using more inventive methods. One candidate paid street cleaners and street vendors a certain amount of money to wear his t-shirts emblazoned with his picture and slogans. Another technique, which became popular, was deploying ‘cyber troops’ specifically to operate in social media. Staff in this division usually works on big issues emerging from conversations, posts, or news emerging on social media outlets such as Facebook, Twitter, blogs, and news websites. They were so active in observing the development in social media that almost every topic could be covered and responded to intensely. With this information, they were adept in promoting the candidates either subtly or overtly.

Fourthly, these success teams organised various forms of *blusukan* (impromptu visits), a term for meet-the-people campaign made popular by Jokowi. Most MPs were sure that direct personal contact with voters is critical for success. Jokowi himself used the term *blusukan* for meetings in public spaces such as marketplaces; while interviewed candidates used it to describe face-to-face meetings of all sorts. The typical method was small meetings facilitated by neighbourhood leaders, but a wide variety of focal points were practicable: visiting religious gatherings organised by Islamic study groups, welfare community meetings, or *arisan* (rotating saving) meetings. Involving the women of a particular locale was very common. The main goal was to ensure that as many voters as possible felt they had some personal connection with the candidate and could have easy access should they need anything in future. Some candidates took extraordinary efforts to make themselves highly accessible. One legislator distributed materials that listed all his contact details ranging from telephone numbers to BlackBerry Messenger pin code.

Apart from those basic steps, perhaps the most striking thing about election campaigning in the regions was that so many candidates emphasised delivery of what in many settings would be considered part of normal government service: provision of healthcare or ambulances, road repairs, help with accessing government agencies, among others. The basic thinking motivating this type of strategy was simple. In Surakarta and most commonly in Sragen, as probably throughout the country, most candidates believed that voters were not interested in vague programmes or general promises about what the government could deliver to the country like the statement below:

"What the people need, what they hope for, is only concrete things." (A community leader in Sragen)

In providing such concrete benefits, most candidates would normally avoid giving direct cash payments to voters. To make sure, most of them handed out small gifts and keepsakes when they had the opportunity to meet constituents. Most patronage came in the form of club goods (donations conferring some collective benefit to a community) or constituency services. Therefore, they argued that they always avoided 'money politics' even as they relied on patronage as their main strategy. One legislator even differentiated between 'political costs' and 'money politics' with the latter consisting of cash payments to supporters which he renounced. However, donations in the form of assistance that would benefit most or entire communities fell into the 'political costs' category, as a legislator further argues:

"Fixing damaged roads, public lavatories, or bathing facilities, street lighting, or carpets in a mosque—that's all fine. Those are part of my political expenditure or costs. But giving away money to them? I will not do that. Money feeds pragmatic politics."

Some of the resourceful candidates had sophisticated machinery to provide constituents with such benefits. One of the most common strategies is by donating ambulance cars to provide health care and funeral services to the potential electorates, especially in remote areas. The cars are decorated with photos of the candidates and colour of their political parties.

Clientelist social welfare as a political strategy is entirely relevant to the context where persistent patronage networks still dominate. Moreover, making matters worse is increasing economic inequality within society that causes the issue of redistribution to become more befitting for local politics. As is the case elsewhere, income inequality is visibly on the rise in Sragen and Surakarta. Accordingly, the reality of increasing inequalities has been accompanied by growing popular concern. The rising disparity between citizens and entangled informal network of patronage motivate candidates to offer various entitlement programmes or oftentimes merely simple handouts such as rice, cooking oil, and a small amount of money to households.

Undeniably, the discussion of implementing 'clientelist social welfare' is heavily dominated by allegations or presumptions of the incumbent exploiting the local budget every five years (election periods). Although the notion of clientelist social welfare is vehemently rejected by local officials, they attempted to provide explanations regarding the presence of the five-yearly political budget cycle in local budgets:

"I can be sure that the suspicion of deliberately deploying a huge amount of resources during the election period is unfounded. There is no such thing as directives from *pak Bupati* or whoever that SP expenses are boosted in a certain period. What I can explain in relation to the pattern of budget cycle is that most of the programmes take a while before realisation. For example, a multi-year infrastructure project needs planning, feasibility study, and procurement process that already takes usually nearly one fiscal year to complete. Analogously, although not perfectly similar, is that SP programmes that have been gradually expanded annually will take large portions of funding at the end of the administrative term which coincides with elections. [statement from a local official in Sragen]"

With newly elected leaders, often the agenda for the next five years is different from that of previous leaders. For instance, if the new elected leaders prefer infrastructure development to social assistance with an incremental increase for the next five years, this will create a new budget cycle from relatively low spending to higher by the end of term, especially when the number of beneficiaries and scale of the programme are constantly expanded over several years.

With regards to beneficiaries, the majority made a positive comment on the use of SP or entitlement during the political campaign, yet almost none of them believe the strategy is always effective in garnering votes, let alone winning the election. This is partly due to the rivalry between candidates

using indistinguishable strategies which in the end will make it difficult to predict the winners. Another factor can be attributed to the rationality of voters. As explained by a cash transfer beneficiary in Solo:

"These days, citizens are clever indeed. They cannot simply be deceived to elect only because of small cash, simple foods, or other stuff. Instead, they will be happy to receive the generous donations but then they will still consider their choices based on many factors on the election day. Although of course, some voters especially poor people tend to vote for candidates who are known as generous in distributing goods, rather than candidates who merely spoke of promises in the rallies."

The amount of benefits and flurry of SP programmes had inevitably caused unintended consequences. There were indications that resentment erupted among non-beneficiaries, and became widespread as many issues were still left unsolved. In Sragen, most prominent among these issues was road damage. The public had been longing for the local government to mend potholes, as they were presumed to have substantial fund allocation for infrastructure, especially given that regional autonomy comes with the assumption that most projects can be executed faster.

However, most of these wishes did not materialise. Deteriorating conditions of main roads had taken a toll. Traffic accidents and congestion led to widespread public outcry. Though only very few expressed their discontent openly, most citizens shared the same negative feelings on this issue, as discussed by a respondent who formerly worked as a facilitator in SP programme and is currently entrusted to be neighbourhood leader in Sragen:

"Not many people have the ability and opportunity to write in newspapers or to see the officials, let alone arranging public protest for demanding road improvement. But I believe everyone on the coffee shops always talks about the issue over and again. My prediction is that this discontent among the public will ultimately be a damaging blow for Bupati's reputation in the upcoming election."

This situation can be perceived as a 'trade-off' between SP programmes and infrastructure development which is now currently in favour of SP beneficiaries and to a large extent denies the rights of 'upper and middle-class' taxpayers. As the problems remain unresolved, this probably engenders dissatisfaction among voters from the non-poor segment until the election comes. As indicated, there is fierce competition for resources and influence, as well as juxtaposition of two different electorate groups, i.e. between the new, aspiring, critical yet somehow insecure middle classes, and the existing vulnerable groups. Sometimes, the contestation between them is also layered with different educational backgrounds and many other socio-economic variables, although of course, this is a simplified generalisation. In other words, both the emerging middle class and vulnerable group want to benefit from current democratisation. This signifies the gaps not only between their livelihoods but also their expectations. The situation might become worse considering the increasing trend of inequality.

To sum up, much of the discussion within the scope of SP and local democracy has hitherto been largely confined to the defective aspects of politics. Nevertheless, the nexus of SP and elections has the potential to commence innovative practices as shown in the cases of Sragen and Surakarta. Unequal characteristics within local electorates bring about strategies which at times are bounded with strictly limited resources. This leads politicians to find a workable equilibrium in serving their constituents.

6.6 Explaining the Different Performance in SP between Sragen and Surakarta

It is critical to raise the question of why the performance between Sragen and Surakarta was remarkably different, with respect to the qualitative performance of decentralisation in terms of SP implementation and the improvement of general socio-economic conditions. In comparing the performance of each local SP between these districts, it is relevant to look at several factors that could possibly affect the disparate outcomes. These factors may include resources (both natural and human resources), economic structure of the region, geographic location, political landscape, and local government policies. This section attempts to briefly examine the extent to which each of these factors has contributed to the different performance in SP implementation between the two regions.

Although there are many similarities between the two locations, a number of patterns can explain important differences in terms of SP performance. Given the large number of different characteristics in the two regions, the identified similarities need to be treated with caution. As explained earlier in this chapter, administration in Sragen as a district tends to be associated with rural governance, with baseline socio-economic conditions perceived to be lower than municipalities (cities) and basic infrastructure often portrayed as less developed.

Natural resources and human capital can significantly affect the performance of a district in the area of poverty reduction and welfare development. A district well-endowed with natural resources can greatly increase its local revenue and financial resources which can support local SP programmes. Similarly, the capacity of human resources in a district is also an important factor in SP programmes, since this factor influences the capability of the district to manage the region, especially in running government programmes effectively. Comparing Surakarta and Sragen in terms of natural resources, there is no significant difference between them. Both regions are not endowed with oil, gas, or other mineral resources so that they in general share similar fiscal capacity. Yet, Surakarta appears to have abundant talents as indicated by higher literacy rates for the latest decade. Another measure such as Human Development Index also indicates the superiority of human capital in Surakarta. This gap of

human resource capacity might be explained to the different pattern of redistribution. As indicated in part 4.7, lower percentile groups in Solo seem to enjoy increasing growth larger than Sragen.

The type of political party dominating the local parliament may also influence the performance of SP, especially with respect to targeted assistance. During the first five years of decentralisation, the heads of the district and municipality were elected by members of local parliaments. In this situation, the political party that dominated parliament would have a sizeable chance of establishing their candidate as the head of district. Similarly, the background of candidates, whether civil or military, businessman or labourer, could also possibly influence the decentralisation performance of the district. However, within this assumption, the performance of Surakarta and Sragen could not be used to explain the different performance of the two regions, because the same political party (i.e. *Partai Demokrasi Indonesia-Perjuangan*/PDI-P) has dominated the seats for local MPs in both locations. Although these days, coalitions or alliances could potentially be effective in nominating candidates for direct election, the influence of the largest political party still exerts significant influence. A case in point is Sragen's election in 2015 when the winning pair was not supported by PDI-P, but the candidate had personal support from former functionaries of PDI-P (especially given the fact that Kusdinar Untung Yuni is the daughter of Untung S. Wiyono, a loyal cadre of PDI-P and the regent of Sragen from 2001-2011).

The geographic location and economic structure of regions are also factors considered important in explaining SP performance. Logistical challenges can be attributed to geographical impediments. Likewise, the performance of a region where the secondary sector (manufacturing) dominates the economy is likely to be different from those dependent mostly on the extractive agricultural sector. The proximity to the growth centre is also assumed to affect the local economy. In this context, comparing Sragen and Surakarta seems to be insignificant as both regions are located rather far from the nearest growth centre (in Semarang). However, the quality of infrastructure which is apparently higher in Surakarta may explain the differences.

Also, the level of economic growth may have a significant influence on the size of the SP budget and its performance, as explored in the literature review and quantitative analysis earlier. The discussion of the economic background of the two locations clearly revealed that the rate of economic growth in Surakarta was higher than that of Sragen, but the findings in this chapter show that a higher rate of economic growth in Surakarta is not the key factor in SP expansion and its effectiveness, while a lower rate of growth in Sragen was able to exert impact on SP to reach the previously uncovered vulnerable groups. Therefore, the different performance of SP implementation in both regions can hardly be associated solely with the differences in rates of economic growth.

Furthermore, population growth, which is at times significant in explaining the difference in social welfare programmes, commonly found at the macro level of analysis, seems not to be significant in explaining the different performance in SP. For the last decade, the average of population growth for both regions is nearly identical. However, close observation will convey different levels of net migration for Sragen and Surakarta. The former appears to have low in-migration but rather high out-migration rates for the last five years. In contrast, Surakarta experienced a significant increase in the in-migration rate recently (Obermayr, 2017).

According to the issues elaborated in this chapter, there are several differences that could be discussed further. We divide the analysis into two main categories: (1) the origin, process, and mechanism of SP implementation by the local administration; and (2) the outcome and responses from stakeholders.

With regards to the origination of initiatives, case studies in the two locations present different trajectories. The idea of bringing an integrated office for SP in Sragen was borne from business sector development (licensing) while Surakarta had developed the concept out of the interests in city planning. This leads to dissimilar trajectories of the two regions. With regards to the organisation and personnel, Sragen is considered superior as it managed to build a new unit from scratch with concepts seemingly derived from the streamlining of business applications. Emulating the success of the business sector, another pivotal role is talent recruitment which largely determines the quality of personnel handling routine jobs. The combination proved effective in gaining solid ground before commencing initiatives mainly on beneficiaries' data management.

Later, the development of a dedicated unit (UPTPK) was proven important in supporting Sragen to incorporate and adopt several new methods in welfare measurement from the central government. This unit, although initially perceived to receive favourable treatment personally from the head of district, has been able to collaborate closely with other stakeholders, not only within Sragen local offices but also with other local agencies in other regencies or provinces.

Meanwhile, Solo only utilised the existing agencies to undertake such an endeavour with a considerable role of the mayor (Jokowi) as the 'prime mover'. Local initiative started from the small projects for improvements on public facilities encompassing public parks to community housing (*kampung*) development. The implementation of these will inevitably require resettlement of illegal dwellers in river banks and unoccupied lands. Usually in the past, policy makers tried their best to avoid these engagements as they tended to ignite conflicts and eventually eroded the popularity of local leaders. However, under Jokowi's administration, resettlement was accompanied with 'cultural' non-violent approaches, and lengthy deliberative processes. Without significant increase in resources

and relying on the existing facility and personnel, the administration in Solo eventually managed to launch a newly-devised health assistance programme with simplified procedures.

Although the approach differs from that of central government which pushed for targeted transfers, universalising benefits seemed very effective for garnering support in Surakarta. This was indicated by the various spotlights from mainstream media and the outcomes of the last three direct elections. Unlike Sragen which focused on adopting methods to improve targeting households, local agencies in Surakarta had depended on relatively modest innovations on targeting, and centred the design of policies on expanding beneficiaries. Another key factor that causes Surakarta to differ from Sragen is the ability of local government to build close relationships with NGOs and the local media. The involvement of NGOs was crucial particularly to disseminate policies to the grassroots level. Not only did this convey the message to citizens, NGOs also played an important role in feeding in inputs to improve policy design. Meanwhile, wide exposure to mass media helped to circulate information regarding SP which eventually elevated the profile of Jokowi outstandingly.

In terms of the perceived outcomes, the implementation of SP in Sragen had seen favourable responses mainly from the perspective of outsiders like international agencies; yet it failed miserably to raise the incumbent's popularity, such that he lost the election in 2015. On the other hand, SP in Solo was underpinned by another acclaimed achievement in tackling informal settlement, and was widely covered and could be capitalised effectively as a political springboard for Jokowi in winning the Jakarta gubernatorial election in 2012, and subsequently the presidential election in 2014.

Meanwhile in Sragen, Agus Fatchurrohman's controversial defeat at the hands of Kusdinar Untung Yuni was surprising but not entirely unexpected. Though a likable and popular incumbent, he was thought to be losing months before election. A seemingly insignificant issue of road damage grew unexpectedly into widespread dissatisfaction that was scantily expressed in public. While UTPK as the brainchild of Agus had put him in the national spotlight and high-profile network, it was apparently not the winning strategy. In the 2015 election, Agus lost to Kusdinar Untung Yuni with a five percentage point difference.

Why did this outcome differ? Probably the answer lies with the situation where politicians were facing more critical, and to a large extent, demanding citizens. A targeted SP programme might be an appropriate policy but the focus of it can alienate other segments of constituents who are equally critical and difficult to appease. The latest election results in Solo seemed to prove that the case of near-universal SP and other policies directed to different segments of society are effective to win the political contest.

6.7 Summary

This chapter has attempted to describe the implementation of SP in the locations selected as case studies and to examine comparatively the most likely factors explaining the different performance in terms of SP implementation and outcomes between the two regions. The main finding of this chapter is that the overall performance in Sragen in executing SP programmes was relatively more impressive using high benchmarks and international standards. While the acceptance of the public in Surakarta is no less positive, the international award from the UN in 2015 is evidence that the achievement of the local government in Sragen is significantly better. The difference in outcomes also emerges within the context of local politics.

Both case studies convey meaningful messages regarding local SP in the midst of decentralised and democratised regions. This chapter also describes five recurrent patterns that reveal important findings. First, local initiatives were primarily intended to support the implementation of SP in national programmes, yet are still constrained with limitations on resources and capacity. In this situation, local SP had only attained achievements that seem sub-optimal using the perspective of the established national methodology. Secondly, increasing attention towards local SP is largely indicative of participation that shapes and defines implementation. Each stakeholder engaging with the local SP programme was generally constructive and propelled greater involvement in other local government's programmes, although the recognised risk of money politics still persists. Thirdly, the growing role of stakeholders means the social fabric becomes more resilient through fostered relationships. In most cases, the role of leaders is essential in maintaining public trust, particularly during tough times. Fourthly, the gender aspect in the context of local SP cannot be circumnavigated as it encompasses a wide range of SP components. Much of the focus revolves around women's roles in the household, also touching upon women's mobilisation within the SP context. Overall, the complexities and novelty of SP almost invariably lead to the uneven comprehension of gender dynamics. Finally, the inextricable link between SP and local elections adds much complexity to the existing deficiencies of local politics. Despite the drawbacks, however, the process of democratisation seems to offer prospects of innovation and expansion for local SP.

PART V CONCLUSION

Chapter Seven: Summary, Research Implications, and Conclusions

More than a decade has passed since the Indonesian government implemented its decentralisation and democratisation policies at the local level. This research has attempted to examine the impact of these policies on governance and implementation, following the central delegation of most authorities in the area of social protection (SP) to an increasing number of local governments at provincial and district level.

This research is initiated by a simple question of how decentralisation and democratisation actually affect the implementation of SP at the local level. It turns out that this study is not as simple and obvious as I had anticipated beforehand. In this research, I also found a number of unexpected, unpredicted, yet interesting findings along the way. This chapter attempts to show how the research findings answer the aims and objectives of this research. I discuss and summarise the cases with respect to their implications for both theory and practice. I also describe several consequences for the extant literature on decentralisation, democratisation, and SP for policy makers and stakeholders regarding the contribution of this research. Section 7.1 summarises the research findings mainly from the previous two chapters. Section 7.2 extends the discussion with regard to the important significance of decentralisation and democratisation to local SP. In addition, this chapter will propose the original contributions of the thesis to the development of knowledge as well as to practitioners in Section 7.3. Finally, the possible limitations of the research and opportunities for future research are pointed out in Section 7.4.

This research has addressed the impact of decentralisation and democratisation on SP in Indonesia at both macro and micro levels, and has attempted to explain the main research question: To what extent has decentralisation and democratisation in Indonesia enabled SP programmes to improve the livelihoods of poor and vulnerable people?

The main research question was derived and deepened into more technical five research questions as follows:

1. What are the functional roles of central and local governments in Indonesia?
2. In the context of decentralisation, what reforms and capacity building mechanisms are carried out in these locations?
3. In the context of democratisation or local politics, what are the key factors supporting the reforms?

4. What factors influence the success of these reforms?
5. To what extent has the implementation of decentralisation and democratisation expanded the coverage of SP beneficiaries?

Chapters 5 and 6 addressed the extent to which the enactment of decentralisation and democratisation in Indonesia has impacted SP development, with the analyses conducted at both macro and micro levels. Building on the findings of the previous parts of the study, I return to the question framed in the beginning of this thesis: how is SP actually implemented in decentralised settings? In this framework, I analysed the empirical evidence which was driven by the theoretical interests underpinning this research.

7.1 Summary of the Research and Key Findings

This thesis foregrounds the impact of decentralisation and democratisation in the management of local SP by establishing interplays between factors such as significant increase of the local budget, devolved jurisdiction, and proximity advantages that allow much innovation, notable improvements in local governance, and political calculation to garner the required votes in the direct elections. Decentralisation can assign ownership incentives among sub-national government entities within a concept of governance devolution and fiscal federalism (Oates 1972 and Tiebout 1956), and thus promotes effectiveness, accelerates responses, and assists the organisation of a complex system. Types of decentralisation might differ between countries or even within a nation, as in asymmetric forms of decentralised governance in Aceh, Yogyakarta, Papua, and Jakarta. From the results of the systematic literature review, several key issues have been raised which later helped to shape and sharpen research objectives. Few important themes among these issues are the mixed impact of outcome on decentralisation, unclear impact of decentralisation on SP, the regulatory environment, and potentials to develop local SP programmes.

One of the most important concerns in decentralisation and democratisation is that there is no current 'best' or 'ideal' form with which we could contrast and set the results side by side. Since every nation (or sub-national government) has a distinctive strategy, thus the design and implementation will not become similar or identical as the context matters significantly. Decentralisation emerged from different histories in different places. In Indonesia and other developing countries, the process often took many years to complete. The end result of the transformation exercise is sometimes completely different from what is described in the usual textbooks or normative cases, as might be reflected in developed countries. Mixed or hybrid approaches in embracing new values of decentralisation and

democratisation usually depend on the bargaining process that takes place at every level among stakeholders. Therefore, it is difficult to describe a single 'correct' method for transformation.

Differing concepts of decentralisation and democratisation underlie development policy debates which inevitably characterises the differences in implementation. Even within a nation, a disparity in comprehension occurs between central and local governments, although in practice, convergence can be expected in the long run. Like in other developing nations, such negative practices as corruption and patronage are still rampant. These have been deeply entrenched in society and often unopposed and unchallenged, and can inevitably affect the performance of agents who are expected to exert influence towards meaningful change. Mapping the different examples of local practices also reveals a gap in the existing literature which overlooks the particulars and tends to assume if not generalise the impact of local policies to the nation as a whole.

7.1.2 Findings of the Macro Level Analysis

The analysis of national data at the district and provincial level led to several important findings. First at the preliminary stage, based on the static regional comparison of changes of economic level, HDI, poverty, inequality, and income per capita, the study reveals that a change has taken place during the periods before and after the enactment of decentralisation. Further, the cluster analysis on districts, which results in four distinctive clusters, shows over-concentration of economic activity and development outcomes in Java.

Where intergovernmental transfer funds are distributed with a formula that equalises the development targets instead of the needs, the outcome might be completely different (Brodjonegoro et al 2005). However, on the contrary, a simplified formula that focuses merely on the conventional variables like population, area size, and share of revenue presumably lead to unequal and concentrated development at the district level. Using cluster analysis, four distinctive groups have emerged and have shown considerable differences between one other, with the most advanced development group constituting districts mostly located in Java. This finding echoes theoretical considerations by Prud'homme (1995) implying that decentralisation might increase regional inequality, largely due to weakened redistributive capacity of the central government, while the efficiency-enhancing effects of decentralisation that might promote regional growth and convergence as proposed by Qian and Weingast (1997) seem to not emerge in this context.

Furthermore, the result of cluster analysis shows a heavy concentration of developed districts in Java bears strong resemblance to the general impression on the current development which mainly depicts unequal development and heavy imbalance in economic progress (Garcia & Soelistianingsih, 1998).

This clustering result also reiterates the need to disperse or develop new centres of growth to outer Java islands, especially in the eastern part of Indonesia. The result leads to the conclusion that the current formula on intergovernmental transfers entails significant transformation so that the local finances among the regions can be distributed more equally or fairly. Progressive schemes for the distribution of transfers in this matter are very relevant owing to the current decentralisation regime with no devolution yet of substantial revenue collections.

Second, analysis on the relationship between certain local political parties with SP budget spending remains inconclusive as the differences in ideologies amongst parties are blurred if not similar. With the absence of political affiliation in this framework, further analysis on the detection of the budget cycle provides meaningful results. Analysis of the political budget cycle (PBC) indicates strong and significant correlation between direct election periods with the increase in SP budget at the provincial level. This finding largely reiterates previous results from Sjahrir et al (2013) which shows significant PBCs for Indonesian districts only for direct, but not for indirect, elections. This new finding supports the logic behind PBC on SP spending that voters need to be persuaded to vote for the incumbent only in direct elections. Moreover, the percentile distribution of various SP benefits has shown substantial differences between periods where direct election was held and periods without election. However, the SP budget growth is not apparently underpinned by the actual needs, but it is likely to be driven by revenue boost (transfers). This is similar to what Skoufias et al (2014) propose, that the reforms on introducing direct elections in Indonesia did nothing to raise the district governments' performance in terms of human development outcomes.

Overall, the findings of this thesis build an argument that decentralisation and democratisation have significantly changed the arrangement and implementation of SP at the local level. It is however too premature to conclude that the relationships brought either positive or negative impact. The distribution of fiscal transfer is pivotal in redistributing resources yet the results of cluster analysis showed that current formula leads to large disparity between regions. Meanwhile, aspects of democratisation and local politics and its effects to SP are difficult to unpack. This thesis can only suggest that political budget cycle leads to the change of SP distribution and improve targeting slightly although its change could possibly be influenced pragmatically with the occurrence of local direct elections.

7.1.3 Findings of the Micro Level Analysis

Taking a closer look at the qualitative micro analysis of two regions in Central Java (Sragen and Surakarta), this corroborates previous quantitative findings to a large extent. Employing thematic

analysis, recurrent keywords during structured interviews leads to the identification of topics surrounding issues of governance, capacity, empowerment, patronage, clientelism, and gender gaps among others. Many similarities but more differences can be drawn from these case studies which ultimately bring in anecdotes about career progression in local politics, and revolve almost always around efforts to expand SP beneficiaries.

As typical in qualitative research, respondents from different groups have various levels of comprehension on the basic knowledge and subtle concepts concerning decentralisation, democratisation, and SP. Moreover, they also differ in their perceptions of policy impact, with policy makers tending to inflate their statements especially with regards to their roles and achievements; academics and NGO workers usually being more critical of policies; while beneficiaries are inclined to be complacent with government programmes.

In general, micro level analysis concerning the impact of decentralisation and democratisation on local SP finds positive impact on social welfare in Sragen and Surakarta. While there had been a slowing down, poverty rates in both regions are declining. Better performance of Sragen in poverty reduction could also be seen in another welfare indicator such as HDI, which appears to catch up with its neighbour, Surakarta in the last decade. Significant progress in poverty reduction and human development had been quite significant in the periods after decentralisation commenced in 2001. Fiscal decentralisation and enlarged authority were believed to be closely associated with SP programmes at the local level. Meanwhile, the deepening of democratisation in 2005 has substantially enhanced the implementation of local SP, as people had been more active and critical in choosing their local leaders. The importance of every single vote made incumbents and politicians calculate meticulously for the expansion of SP with regard to its beneficiaries and variations.

In spite of the positive impact, thematic analysis concludes at least five challenges that might restrain local SP. First, lack of capacity at the local level makes the initiatives on SP development become less than optimal. Second, high dependence on facilitators and other external ‘helpers’ makes beneficiaries vulnerable to exploitation, politically or financially. Third, problems on targeting accuracy caused prolonged disputes which potentially damage the social fabric. Fourth, comprehension of gender-based SP programmes among stakeholders has been unequal and still lacking. Fifth, deeply entrenched paternalistic views towards politics have left beneficiaries completely exposed to the practices of ‘money politics’, and this may be correlated with the malfeasance of the public budget during election periods.

Case studies in Surakarta and Sragen also presented different narratives with different dynamics in terms of local governance and local politics. A similar storyline can be established with regards to the

development and expansion of local SP. From the beginning of the administration period, local leaders in both regions had been very keen in building new approaches to extending benefits. The nature of decentralisation proves to be useful in explaining the dynamics of local SP. It describes the boundary of the local authority, interdependencies among local offices, as well as power relations among different stakeholders. In Sragen, the adoption of a robust methodology in registering beneficiaries is crucial and commendable. Simplified stages in the working process also help local agencies to perform efficiently. Unsurprisingly, this achievement has been highlighted and received favourable comments from various agencies. Other local governments have shown interest in following Sragen's policies. Meanwhile in Surakarta, the decision to approach informal workers and expand social services is an effective combination to gain public trust. SP is pivotal not only as an instrument to maintain welfare but is also useful to support other policies which are often considered unpopular. In the case of Surakarta, resettlement was implemented successfully without any violent incidents, which was a rare positive case.

With regards to the outcome of SP development, differences occur. One can expect SP as the main tool to obtain support and garner votes during election time. However, the case in Sragen has shown that the expansion of local SP could not guarantee success in election, although the programme has had an impact and been perceived positively amongst beneficiaries. The failure of the incumbent conveyed a subtle message to other politicians that constituencies do not merely comprise vulnerable groups alone. Although initially the group might be a majority in terms of proportion, they should take into account the increasing number of the newly emerging 'middle-class' in their localities. On the other hand, the success of SP expansion in Surakarta had brought the local leader to national attention, even ultimately winning the presidential election. Eventually, the prominent case of Jokowi's career can simply be labelled as a 'political springboard' for politicians who aim for career progression.

The significant progress achieved by local governments of Sragen and Surakarta in developing SP during the era of autonomy can be explained in several ways. First, it can be viewed through the lens of public spending and service delivery. For instance, while the expenditure for administrative purposes is still dominant, per capita spending for social services, which is believed to be closely associated with SP, increased significantly in both regions. Higher local capacity and an established local economy in urban Surakarta contributed to this significant achievement when compared with rural Sragen. A comparison of the performance in terms of social welfare development between the two regions shows that the establishment of a special unit dedicated to manage the administration of beneficiaries has also had a positive impact on the delivery of basic services such as education, health, housing, and food. The formation of UTPK in Sragen as a versatile unit is also evidence of local initiative to tackle the daily convolutedness of the bureaucracy and setting an ideal standard for social

welfare management. Meanwhile in Solo, the enhancement of the existing unit is tantamount to the effective bureaucratic improvement, although the achievement is not recognised widely as in Sragen.

Second, the different impact of decentralisation and democratisation on SP between the two regions can be further explained by examining the performance of local economic development (LED) in these districts, especially since fiscal decentralisation commenced. Two key findings related to the performance of Sragen and Surakarta in developing their local economies can be summarised as follows:

1. A comparison of style in LED between Surakarta and Sragen shows that the structure of the local economy has modernised in Surakarta, where services dominate the local GDP as explained in Chapter 6, while the economy in Sragen is still focused on a more traditional sector, i.e. agriculture, though the incipient manufacturing sector has begun to increase. As a result, the implementation of regional autonomy has created a larger number of income opportunities and potential revenue increase for the local government in Surakarta. Meanwhile in Sragen, the focus of the expanding manufacturing sector will absorb significant numbers of new labour market entrants.
2. Surakarta has been much more successful in increasing its own local revenue than Sragen. The municipality has also been renowned for its human resources. This has both improved the ability of Surakarta to fund and manage its own development programmes. Further, the endowment has helped to improve the ability of the local administration to create a pro-business environment to attract more investment and support economic development from which the poor might have benefited.

Therefore, with this underlying context, policies in Surakarta after decentralisation began could be associated with a 'pro-growth strategy' while the Sragen local government's attachment to the agriculture sector and concerns for the expansion of manufacturing could be said to be a 'pro-job strategy'. Meanwhile, their focus to build a local SP arrangement can be tagged as a 'pro-poor strategy'. An attempt at simple comparison to determine which strategy is more effective leads to mixed and intricate results. While the poverty rate in Surakarta has been significantly lower than that of Sragen for a decade, it has been declining only very slowly in the last five years.

Finally, the context of local democratisation and gaps within the economic class also provide an explanation of why two incumbents with a similar approach and vision of SP development could see different outcomes in the last election. Analysis on class might be relevant in dissecting this phenomenon, as the current SP focusses intensively on vulnerable groups. In this regard, a balance

between the interests of vulnerable groups and those of the middle class becomes pivotal to the perspectives of rational local politicians.

7.2 Significance of Decentralisation and Democratisation to Local SP

Decentralisation and democratisation are perhaps not yet indispensable to the most emerging economies. Both policy experiments will not automatically transform people's lives unless many requisites are fulfilled. The success story is often what attracts wide attention, however, success is often the result of a series of previous failures. Before the start of the 21st century, a centralised political system has long been the dominant feature of government in most developing countries. Recently, due to the driving forces discussed extensively in the literature review part of this thesis, many developing nations have shifted to a decentralised system. Likewise, waves of democratisation also happen to reach countries where authoritarian polities are previously unimaginable in allowing for dramatic changes. With this backdrop, many studies have been conducted to evaluate the impact of decentralisation and democratisation on issues such as local participation, public service delivery, poverty reduction, and economic growth, among others. Clearly, much effort has been devoted to compare the performance or the outcome of entities during the period of centralisation after the regime changes. The finding of this thesis is that the performance of local governments has been progressive, albeit at different levels. Different impacts in gaining electorate support among regions raise questions about the role of the political situation in SP development.

This research also finds that decentralisation and democratisation allow the creative, innovative and responsive local governments that are aligned with public goals and citizens' expectations to perform. These days, the transition towards decentralised and democratised polities appears to be adapted from the templates and organisational architecture of developed countries with different contexts, cultures, and endowments. However, a lack of attention on foundational requirements like local capacity and mechanisms to reduce malfeasance is common in developing countries, usually resulting in misapplication with outcomes lower than expected. Therefore, instead of the positive impact that might enforce governments to be more honest and efficient by bringing officials 'closer to the people' and forcing them to compete for mobile capital, decentralisation might create negative effects such as coordination problems and obstacles to reform, while exacerbating incentives to shirk responsibility on public provisions.

Meanwhile, SP programmes, especially in developing economies, operate in such arrangements with heavy reliance on central government resources. Low financial capacity and lack of quality human resources inhibit the development of much needed SP, particularly in regions where vulnerable groups

are persistent. Unlike any other sectoral development programmes, SP which is cross-sectoral by nature entails close collaboration among supporting agencies. Coordination between central and local governments is critical, based on the fact that more than a hundred newly formed districts and municipalities were established right after day-one of the decentralisation regime. Most of these, along with possibly many other lagging regions, are likely to have limited human and financial resources. With such limitations it may be advisable for the central government to play a stronger initial role to guide these districts, especially in establishing complex SP programmes. Simultaneously, local governments could also design, develop, and implement their own version of SP programmes, possibly in consultation with the central government or development agencies. Meanwhile, the central government, in the transition periods to full local autonomy, could raise the administrative capacity of every district so that they can effectively manage their own responsibilities.

Positive stories from the cases of Sragen and Surakarta have pointed to the characteristics that can potentially be replicated or emulated in other regions. Three attributes of organisational structure are immediately of interest. First, the unit overseeing the implementation of SP has direct support from the local leader. Therefore, the classic problem of coordination can be minimised so that convoluted and lengthy bureaucratic process is significantly curtailed. Second, the adoption of success factor from other well-proven policies (i.e. business permit application) is crucial and provides critical support. In this case, many positive aspects were modified within the implementation of local SP programme. Third, 'openness' or accountability plays an insurmountable role in ensuring and safeguarding all the steps of SP implementation. That is perhaps because public trust can be maintained which later attracts attention if not support from wider stakeholders. Thus, the success of SP at the local level is the result of various aspects of governance.. In this case, many of the aspects that were previously organised using pen and paper can now be handled in much more expedited fashion. Third, 'openness' or accountability plays an insurmountable role in ensuring and safeguarding all the steps of SP implementation. That is perhaps because public trust can be maintained which later attracts attention if not support from wider stakeholders. Thus, the success of SP at the local level is the result of various aspects of governance.

The findings from quantitative analysis have led to the conclusion that the current type of decentralisation which focuses mainly on fiscal devolution, while at the same time limiting revenue-generating authorities to the regions, is generally still sub-optimal. The distribution of transfers from central to local governments has been vital to sustain local governance. However, the expected effect of equalising resources to the regions has not yet occurred. Presumably, the current formula largely neglects the importance of specific needs in regions particularly outside Java. Quite unsurprisingly, the existing mechanism for fund transfer is perceived to be inadequate for developing regions, not to

mention the remote districts. It means that the local budget is simply not enough to stimulate efforts to build the required infrastructure and improvement of public service delivery, let alone to promote social welfare. Therefore, if the current situation persists, gaps between the area within Java and outside Java will increase.

The inability of local governments to raise significant revenue also causes problems of over-reliance on the central budget, just to cover routine administrative spending, and only set aside a little for development expenditure. The introduction of direct benefit transfers to households and the commencement of direct elections in relatively the same period (2005) opened up the avenue for this research. Formative analysis in this study regarding both events leads to the conclusion that periods during direct elections significantly correlate with the increased disbursement of benefits specifically to the lowest percentile of the population. Another important finding in this research is that the political budget cycle exists following the implementation of direct elections, indicating the impact of democratisation on SP expansion.

This research has shown that both decentralisation and democratisation can affect the outcomes of SP at the local level, as demonstrated in the two locations. In the case of Sragen, decentralisation has led to an improvement in governance quality as shown by the good performance of the local administration. What we can learn from Sragen is that decentralisation will help improve local SP significantly if the problems specific to local implementation are firstly addressed. Such reforms can lead to a more accountable and transparent government. Various awards and recognition are forms of acknowledgement of this achievement. Yet, its success has not been sufficient to convince the electorate in the last election. Naturally, an expanded and effective SP will potentially garner votes in the context of democratic election, but here the case in Sragen presents a different conclusion. While in Surakarta, the impact of decentralisation and democratisation has been beneficial, not only to the conception of enlarged SP benefits, but in also helping significantly to promote the popularity of the local leader.

This thesis emphasises the impact of decentralisation and democratisation in managing the complexity of SP by increasing local potential and highlighting the needs of vulnerable groups. Whilst maintaining interdependencies with the central government and retaining effectiveness by adopting factors rooted from local contexts, the development of SP at the local level can be furthered to achieve other goals. The management of local SP can assign ownership incentives among different stakeholders within a coordinated network, and thus promote communication and involvement of non-state actors.

7.3 Contributions and Implications

This thesis contributes to the emerging literature on decentralisation, democratisation, and its impact on SP at the lowest government level. The main theoretical contribution of this study is to the literature on fiscal decentralisation, political budget cycle, and local governance within the context of SP management.

There are at least two main contributions of this study. First, it has contributed to knowledge development by providing a thorough analysis of the steps and links in the relationship between decentralisation, democratisation, and SP. This research has also demonstrated that there is a missing link particularly in the decentralisation-SP nexus as hypothesised by many scholars, in that not only good governance but also fiscal and administrative capacity as a pre-condition for making decentralisation work. Another missing link can be found in this study within the nexus of democratisation and SP in which the most significant aspect is the targeting strategy. Second, this study has contributed at the policy level, both for Indonesia and possibly other developing countries, as it has shown cases of how to make decentralisation benefit the most vulnerable group.

Theories on decentralisation and democratisation can be used to describe and explain the structure and relationship of local SP governance. They also uncover the dialectical process between local and central government. On the one hand, the local administration aims to devise locally-specific SP and deliver benefits accurately in order to achieve balance between fiscal constraints and demands of constituencies. On the other hand, it can be confirmed that the central government tends to intervene with regards to targeting methodology. Within the scope of this thesis, the results indicate that these theories deserve a revisit. There are at least two important steps for enhancing theories surrounding decentralisation, democratisation, and SP. First, an additional element of the attempt to revisit the decentralisation literature is that the devolution of authority seems to perform well only in fiscally-permitting districts that enjoy abundant resources, hence implying the importance of fiscal redistribution towards the equalising of local capacity. Second elements pertained to the local politics and democratisation need to be considered in the construction of a new theory. Prominent among these factors is the emergence of growing 'middle class' in every regions with its diverse characteristics. Depending on its context, generally middle class in developing regions seem to be increasingly active in local politics. Increased welfare condition of middle class does not really correlate with decreasing precarity yet their new-found welfare means their demands shift from access to quality of public services. Therefore, with this thesis I can argue that theories on the impact of decentralisation, democratisation, and SP need to be complemented with caveats on the diverse settings of local capacity, resources, and demographic changes. The nexus between the three seemingly leads to the

overall positive development outcome yet it needs clarification to the attribution of factors specific to each regions.

Equally important to the enhancement of the existing theories is a re-formulation of fiscal intergovernmental transfer. The current literature on fiscal decentralisation neither discusses nor includes relevant variables with regards to SP or welfare development: (1) the current formulation only engages with the share of resources while neglecting the priorities for lacking regions where vulnerable groups reside; and (2) the literature focuses on variable such as population and the size of the economy, resulting in an unequal distribution of fiscal transfers, which therefore leads to the enormous gap between districts in Java and outside Java. The existing body of knowledge on democratisation which revolves around SP implementation does not specifically discuss the behaviour of incumbents.

With reference to methodological contributions, our cases not only show the advantage of the case study method in complementing the big picture from the results of quantitative analysis, but also the potential of the case study method for theory construction—as long as it follows validity and reliability criteria. I also found that good research should be driven by problems in the real world, rather than being methodology-driven. Thus, a combination of different kinds of methods and data will be best for carrying out the task.

7.4 Research Limitations and Future Directions

This research on decentralisation and democratisation within local SP development suffers from several theoretical and empirical limitations that might lay out avenues for future studies. First of all, due to the issue of data availability, I deliberately focus the analysis on the period after the commencement of decentralisation (in 2001) and democratisation (in 2005). Analysing the impact of decentralisation and democratisation covering both pre- and post- implementation will perhaps provide some interesting and complementary findings. Secondly, we did not consider the possible impact of other policy changes occurring within the periods of analysis (2001-2012). The discussion on how it may be beneficial or problematic to consider other social development programmes such as community-driven development or nation-wide social health insurance (Fossati, 2016a; Gonschorek, Hornbacher-Schönleber, & Well, 2014; Panda, 2015) will make for interesting new research. While quantitative analysis in this thesis used secondary data sets compiled by the World Bank, qualitative analysis relied on two in-depth local SP case studies in two regions within the same province, and so can only provide evidence of the impact of decentralisation and democratisation in these locations. The key limitation of the approach is that it is not possible to claim national or global

representativeness for these results. However, it should be noted that there are equally no strong reasons to believe that the findings, particularly those broad lessons about which it has been possible to generalise across other districts in other studies, should not apply to comparable locations in Indonesia.

The choice of location for case studies is not only based on the clustering result (elaborated in Chapter 5) but to also capture dynamics that perhaps were relevant to the contemporary situation. The case of Jokowi in Surakarta and international recognition for Sragen's administration had received remarkable attention and were highly covered in the media. Nevertheless, I would expect our findings to apply to other similar themes in emerging economies, but future comparative studies with larger samples or with more extreme cases could confirm the extent to which our findings are generalisable. Since all of our cases are district-based samples and provincial-level analysis, subsequent studies on village-based or other regional models will add to the discussion in the literature.

It is modestly expected that this study shows the potential for new research to further advance these debates around the impact of decentralisation and democratisation to other local policies situated in the context of developing countries. From the result of this study, I also believe that issues on the effectiveness of SP need further theoretical and empirical study on design, definition, as well as advancement with regard to methodology and measurement. In particular, the present investigation focuses on decentralisation and democratisation with minimal consideration of other variables. Studies on the effectiveness of local SP are still incipient, which indicates that greater attention might be given to the topic. Another key concern is how to filter the impact of other policies on SP, and thus, evaluate clearly its implementation. This question makes the study of SP more challenging.

Some other opportunities for subsequent studies have been discovered. Further research needs to address political perspectives that particularly focus on the ideological aspects of SP provision. I have discussed the concepts, frameworks, as well as principles developed for the expansion of SP at the district level. This approach can now be extended with research from other disciplines where decentralisation, democratisation, and SP are becoming influential, for example: political science, sociology, public administration, strategic management, and public policy.

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Appendices

Appendix A - Summary of High Priority Papers

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
Ahmad, Devarajan, Khemani, & Shah (2005).	Low-income and middle-income countries		Provides a framework evaluating benefit and cost that explains both why decentralisation can generate substantial improvements in service delivery and why it often falls short of its promise. The framework describes three key players in accountability relationship i.e. policymakers, poor people, and providers.	Service delivery depends on the relationships of accountability of different actors in the delivery chain. Decentralisation introduces a new relationship of accountability—between national and local policymakers—while also altering existing relationships, such as that between citizens and elected politicians. In particular, the various instruments of decentralisation—fiscal, administrative, regulatory, market, and financial—can affect the incentives facing service providers, even though they relate only to local policymakers.
Bardhan & Mookherjee (2006a)	Longitudinal sample of 89 villages in West Bengal, India	1978-1998	Using intra-village and inter- <i>gram panchayat</i> (local government), the authors employ regression method to estimate the interpretation of the (partial) correlation between targeting and poverty via its impact on the political power of the poor, relies on the assumption that conditional on the control variables included in the regression, poverty is exogenous with respect to targeting.	There is not much evidence that targeting patterns of private goods such as credit or agricultural minikits in West Bengal were vulnerable to 'elite capture' within local communities. The principal problem lay elsewhere: in the selection of local infrastructure projects under employment generation programs, and the process of allocating resources across GPs by higher levels of government. In this respect there was a perverse tendency to generate less employment out of allotted funds, and allocate less rather than more resources (in the form of minikits, employment and other fiscal grants) to villages when poverty, land inequality or

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				frequency of low caste households within those villages rose.
Brinkerhoff & Azfar (2006)	None		A review of the literature on community empowerment in the context of decentralization reveals, the multiple meanings of empowerment and the relative lack of systematic studies across a range of cases, limiting our ability to make precise conclusive statements regarding the relationship between community empowerment, decentralization, and outcomes relating to deepening democracy and service delivery effectiveness.	This review reveals the key role of central government in supporting decentralization and local community empowerment. However, the existence of a legal and institutional framework, in and of itself, is insufficient. The implication is that a strong civil society is needed to fully exploit their potentials. Communities need the capacity and resources to engage in collective action, including belief in their own agency, for empowerment mechanisms to achieve their intended effects.
Crook & Sverrisson (2001)	Comparative analysis across a selection of African, Asian, and Latin American countries with the case of West Bengal, India		Measuring responsiveness and participation of local governments in the context of decentralisation. Measuring social and economic outcomes for any of the governmental policies.	The review shows that only the evidence relating to West Bengal indicates positive decentralisation outcomes on both dimensions of responsiveness and social-economic development. The most successful case were the ones where central government not only had an ideological commitment to pro-poor policies, but was prepared to engage actively with local politics. Fair and competitive elections were a key factor in developing public accountability.
Ezcurra & Rodriguez-Pose (2009)	Panel data for 20 OECD countries.	1990-2005	To examine the effect of the degree of decentralization of SP expenditure on economic growth using reduced-form growth model (8 variables). The model includes the level of SP expenditure in the sample countries.	Positive impact of the sub-national share of total government expenditure in SP on economic performance. It is observed that the coefficient of the degree of decentralisation of SP expenditure is in all cases positive and statistically significant. This implies that the sub-national share of total government expenditure on SP appears to

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				contribute to promoting economic growth in the sample countries, highlighting the relevance of devolution processes in this context.
Fossati (2016)	Qualitative and quantitative data from nearly 400 Indonesian districts and provinces	2005-2011 with particular focus on period 2008-2010	<p>Comparing how trends in health insurance coverage evolved in districts located in provinces with and without agreements, yet data limitation can only allow analysis to rest on cross-sectional analysis.</p> <p>Fossati builds a model to represent the relationship between the two with a hierarchical linear model (Raudenbush & Bryk, 2002) in which health insurance coverage is a function of multi-level cooperation and random intercepts for provinces.</p>	Decentralisation reforms empower local government, but they do so by creating political systems in which local authorities are still closely tied to higher levels of government through various channels. This paper has shown that relations between politicians at different levels of government are consequential for local-level social policy outcomes in low- and middle-income countries, even when local institutions are weak. Through an analysis of the politics of health insurance for the poor in Indonesian districts and cities, the author argues that multi-level cooperation has a direct impact on local policy outcomes.
Jütting et al (2004)	Comprehensive review of 19 LIC-MIC cases which are classified by 4 performance types.	1995-2003	<p>This study addresses the following three questions:</p> <p>1) Through which channels are decentralisation and poverty linked?</p> <p>2) What evidence of the impact of decentralisation on poverty can be found in the literature?</p> <p>3) Under which conditions and policies is a pro-poor outcome of decentralisation most likely?</p>	<p>It is found that an unambiguous link between decentralisation and poverty reduction cannot be established. In some of the poorest countries characterised by weak institutions and political conflicts, decentralisation could actually make matters worse. Interestingly, the poverty impact of decentralisation would appear to depend less on the physical country setting, for example a country's size or quality of infrastructure, than on the capacity and willingness of policy makers to ensure a pro-poor devolution process.</p> <p>The success of pro-poor decentralisation was also analysed by looking at the ability and willingness</p>

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
			The impact on poverty was analysed with respect to country background, in order to identify the impact of the country setting, the nature of social institutions, and local authorities' capacity on the process and outcome of decentralisation.	<p>of the authorities (at the national, but also the local level) to carry out reforms. It depends on a variety of factors:</p> <ol style="list-style-type: none"> 1. Financial Resources at the Local Level 2. Evidence 3. Local Human Capacity 4. Political Commitment at the National Level 5. Donor Involvement and Support <p>The transparency of reform and degree of participation of population can also be attributed as success factors in determining decentralisation with following criteria:</p> <ol style="list-style-type: none"> 1. Information Flow 2. Participation 3. Role of Civil Society <p>Other factors which influence the impact of decentralisation to poverty reduction are elite capture and policy coherence.</p>
Hofman & Kaiser (2006)	Indonesia	2002	In-depth review	<p>Despite its rapid implementation, decentralisation in Indonesia did not appear to lead to a breakdown in service delivery. Evidence from the field, however, suggests significant concerns about the quality of governance at the local level.</p> <p>Perceptions of service delivery were quite positive, probably because of the continuity in</p>

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				<p>service delivery and the still evolving nature of standards and expectations.</p> <p>The overall relationships between the quality of local service delivery and indicators of poor governance is complex.</p>
Lewis (2010)	Indonesia	1999-2009	In-depth analysis and comprehensive reviews on existing situation.	<p>The evidence suggests that Indonesian decentralisation has not yet, however, led to good quality local public services. Implementation of immediate remedies typically proposed by government officials and others are all likely to be deficient in one regard or another.</p> <p>A long-term, incremental approach that focuses on experimenting with out- put-based central-local incentive grants, enhancing local government capability in expenditure and revenue management, and, most importantly, building capacity in civil society groups to educate citizens and motivate demand seems the most feasible strategy for moving forward under the current circumstances.</p>
Litvack, Ahmad & Bird (1998)	Developing countries		Literature review and analysis of experience with decentralisation in developing countries to explore how a wide range of variables can affect decentralisation efforts and how policies and incentives can be designed to improve outcomes.	<p>The paper highlights the fact that decentralisation is neither good nor bad for efficiency, equity, or macroeconomic stability; but rather that its effects depend on institution-specific design.</p> <p>The broader agenda suggests an enhanced focus on accountability, governance, and capacity in the context of designing policies for decentralisation.</p> <p>This approach has strong implications for the Bank's project design and policy dialogue and calls</p>

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				for a reinvigorated research effort focused on developing countries. Much research needs to be done—primarily in case studies—on a variety of important issues, particularly with respect to the outcome of alternative institutional changes.
Priyadarshee & Hossain (2010)	2 Indian states i.e. Uttar Pradesh (UP) and Andhra Pradesh (AP)		Comparative analysis on the performance of two different decentralized delivery mechanisms while delivering SP programmes to poor households. Empirical observations on the delivery of selected SP programmes in sample villages. The observation is focussed on several aspects i.e. beneficiary identification, corruption and rent seeking, ration cards, cash disbursal mechanisms, convergence with other schemes, and feedback mechanisms.	It is argued that village <i>panchayats</i> (local governance councils) need to incorporate mechanisms to enhance participation of the poor, and women, in its institutions. This may enhance accountability and transparency in the functioning of <i>panchayats</i> and may make them more relevant to the deprived population.
Ramesh (2013)	Asian countries		Literature review and analysis on empirical evidence related to decentralisation.	Empirical studies on decentralisation are no more encouraging than those assessing the logic and theory underlying the concept. There are many empirical studies in the case study mode, qualitatively or quantitatively examining the effects of decentralisation. The findings of comparative studies are contradictory, depending on the countries covered and analytical methods employed, but

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				<p>are largely negative about the effects of decentralisation.</p> <p>There are nascent trends suggesting that local governments are being consolidated in many countries and tighter taxing and spending guidelines are being set to limit local governments' autonomy. The weight of the evidence on decentralisation certainly warrants a pause in further attempts to deepen and expand the extent of decentralisation in Asia and warrants re-thinking of its goals as well as operational details.</p>
Robinson (2007b)	Africa, Asia, and Latin America		Review of several findings pertinent to decentralisation on service delivery.	<p>The consequences of democratic decentralisation in terms of service delivery outcomes are largely negative.</p> <p>Poor and marginalised people have not generally experienced improved access and service quality under democratic decentralisation.</p> <p>Improved outcomes are contingent on a supportive set of conditions and mediating factors, some of which lie outside the control of elected local governments.</p>
Scott (2009)	Empirical case studies from Asia, Africa and Latin America	2003-2009	Analytical review explores the links between decentralisation and service delivery, economic development and social cohesion.	There is a vast chasm between the benefits that proponents of decentralisation have claimed that reforms can have on service delivery, economic development and social cohesion and the reality, according to empirical research.

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				It has generally been found that decentralisation has not delivered service delivery improvements, primarily for political reasons. Limited administrative capacity and financial constraints become factors that hinder the potential of decentralisation to improve services.
Shah & Thompson (2004)	Various countries implementing decentralisation, more specifically on Indonesia		Review of major controversies and key approaches pertaining to decentralisation programmes i.e. big push vs. small steps; bottom up vs. top down; and uniform vs. asymmetric decentralization	<p>The decentralisation programme in Indonesia should be commended for its achievements over a short period of time, however incentives are lacking for local governments to be accountable and responsive to their residents.</p> <p>Critical missing links identified in this paper include: (a) tax decentralisation; (b) performance oriented transfers to set national minimum standards; (c) equalisation to a standard; (d) administrative decentralisation and (e) results-oriented management and evaluation.</p>
Sumarto et al (2014a)	Indonesia	2005-2010	Panel data analysis	<p>Regional output, poverty reduction and income distribution are strongly interrelated. Poverty appears to have decreased more in districts with:</p> <ol style="list-style-type: none"> 1. a local office established for the coordination of poverty reduction initiatives (TKPKD) 2. a higher share of fiscal revenues, as long as fiscal revenue represents more than 50% of local gross domestic product 3. a larger share of local leaders with secondary education 4. a higher average educational attainment

Author(s) and Year Published	Data Used in the Study	Period(s) of Analysis	Methodology	Summary of Empirical Findings
				5. a higher share of urban population.

Appendix B-1 - Ethical Research Committee Approval

Research Ethics Office
King's College London
Rm 5.12 FWB (Waterloo Bridge Wing)
Stamford Street
London
SE1 9NH



19 January 2015

TO: Dharendra Wardhana
SUBJECT: Approval of ethics application

Dear Dharendra,

REP/14/15-62 - Has Decentralisation and Democratisation been Effective in Promoting an Inclusive Social Protection System in Indonesia? A Comparative Case Study of the Implementation of Social Protection Programmes in Central Java

I am pleased to inform you that full approval for your project has been granted by the **A&H** Research Ethics Panel. Any specific conditions of approval are laid out at the end of this letter which should be followed in addition to the standard terms and conditions of approval, to be overseen by your Supervisor:

- Ethical approval is granted for a period of **2 years** from **January 2015**. You will not receive a reminder that your approval is about to lapse so it is your responsibility to apply for an extension prior to the project lapsing if you need one (see below for instructions).
- You should report any untoward events or unforeseen ethical problems arising from the project to the panel Chairman within a week of the occurrence. Information about the panel may be accessed at: <http://www.kcl.ac.uk/innovation/research/support/ethics/committees/ssh/rep/index.aspx>
- If you wish to change your project or request an extension of approval, please complete the Modification Proforma. A signed hard copy of this should be submitted to the Research Ethics Office, along with an electronic version to crec-lowrisk@kcl.ac.uk. Please be sure to quote your low risk reference number on all correspondence. Details of how to fill a modification request can be found at: <http://www.kcl.ac.uk/innovation/research/support/ethics/applications/modifications.aspx>
- All research should be conducted in accordance with the King's College London *Guidelines on Good Practice in Academic Research* available at: <http://www.kcl.ac.uk/iop/research/office/help/Assets/good20practice20Sept200920FINAL.pdf>

If you require signed confirmation of your approval please email crec-lowrisk@kcl.ac.uk indicating why it is required and the address you would like it to be sent to.

Please would you also note that we may, for the purposes of audit, contact you from time to time to ascertain the status of your research.

We wish you every success with this work.

With best wishes

Annah Whyton – Research Support Assistant

On behalf of

A&H REP Reviewer

Appendix B-2 - Information Sheet and Consent Form – ENGLISH

INFORMATION SHEET FOR PARTICIPANTS

REC Reference Number: REP/14/15-62

**YOU WILL BE GIVEN A COPY OF THIS INFORMATION SHEET**

Has Decentralisation and Democratisation been Effective in Promoting an Inclusive Social Protection System in Indonesia? A Comparative Case Study of the Implementation of Social Protection Programmes in Central Java

I would like to invite you to participate in this research project which forms part of my PhD

Research. You should only participate if you want to; choosing not to take part will not disadvantage you in anyway. Before you decide whether you want to take part, it is important for you to understand why the research is being done and what your participation will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask me if there is anything that is not clear or if you would like more information.

The purpose of this study is to examine whether decentralisation in different areas of Central Java, Indonesia builds an inclusive social protection (SP) system by tackling exclusion and vulnerabilities. In order to get first-hand experiences and expert opinions on this topic, I am inviting stakeholders i.e. local government officials, local parliament members, NGO workers, community leaders, facilitators and social protection beneficiaries to take part.

Participation is voluntary. You do not have to take part. You should read this information sheet and if you have any questions you should ask the research team. You should not agree to take part in this research until you have had all your questions answered satisfactorily.

If you decide to take part you will be given this information sheet to keep and will be asked to sign a consent form. At a time convenient for you, I will then call or email you to discuss the interview procedure with you. On request you will be given the interview topic guide. With your consent, I will arrange to interview you in a private area (for confidentiality reasons) on voluntary organisation premises where you work (or at a suitable venue in a local public site if you prefer).

The interview will take approximately one hour and be based on the interview topic guide, but it is designed to be flexible so as to meet your needs. The interview may be recorded, subject to your permission. Recordings of interviews will be deleted after transcription. Even if you have decided to take part, you are still free to cease your participation at any time and to have research data/information relating to you withdrawn without giving any reason up to the point of publication in August 31, 2016.

There are no foreseeable risks in participating in the study. The main disadvantage to taking part in the study is that you will be donating around an hour of your time to take part. It is possible that you may find answering some of the questions challenging. This is unlikely but if it were to occur you could terminate the interview at any time.

You are welcome to choose anonymity. If you want to remain anonymous, I promise that what is said in the interview is regarded as strictly confidential and will be held securely until the research is finished. Your name will not be attached to any information you provide to me. All files or documents containing any information about your name, job title, personal description etc. will be

destroyed. I am the only person who has access to any of the information you provide. All information and documents held electronically used within this project will be encrypted.

The UK Data Protection Act 1998 will apply to all information gathered within the interviews and held on password-locked computer files and locked cabinets within King's College London. No data will be accessed by anyone other than me; and anonymity of the material will be protected by using false names. No data will be able to be linked back to any individual taking part in the interview. You may withdraw your data from the project anytime up to the point of publication in August 31, 2016. All recordings of data on audio-equipment will be deleted after transcription. If you ask me to withdraw your data at any time before August 31, 2016 I will remove all traces of it from the records.

This study is being funded by a PhD studentship given through by the Ministry of National Development Planning of Indonesia. The study has been approved by the King's College London Research Ethics Committee.

The research findings will be published as a final PhD research thesis, to be disseminated publicly through Kings College London. It may also be published in the form of a publicly available peer reviewed journal article. You are therefore advised that if you foresee any recriminations likely to occur to yourself through the information that you provide to me, you should choose anonymity.

If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form.

If you have any questions or require more information about this study, please contact me using the following contact details:

Dharendra Wardhana

King's International Development Institute

King's College London

London, WC2R 2LS

dharendra.wardhana@kcl.ac.uk

If this study has harmed you in any way or if you wish to make a complaint about the conduct of the study you can contact King's College London using the details below for further advice and information:

Dr. Andrew Sumner

King's International Development Institute, King's College London

Room 1SEBb, South East Building, Strand Campus, Strand, London WC2R 2LS

andrew.sumner@kcl.ac.uk

Tel: 0044 (0) 20 7848 7158

Thank you for reading this information sheet and for considering taking part in this research.

CONSENT FORM FOR PARTICIPANTS IN RESEARCH STUDIES

Please complete this form after you have read the Information Sheet and/or listened to an explanation about the research.



Title of Study: Has Decentralisation and Democratisation been Effective in Promoting an Inclusive Social Protection System in Indonesia? A Comparative Case Study of the Implementation of Social Protection Programmes in Central Java

King's College Research Ethics Committee Ref: REP/14/15-62

Thank you for considering taking part in this research. The person organising the research must explain the project to you before you agree to take part. If you have any questions arising from the Information Sheet or explanation already given to you, please ask the researcher before you decide whether to join in. You will be given a copy of this Consent Form to keep and refer to at any time.

I confirm that I understand that by ticking each box I am consenting to this element of the study. I understand that it will be assumed that unticked boxes mean that I DO NOT consent to that part of the study. I understand that by not giving consent for any one element I may be deemed ineligible for the study.

Please tick

☐

1. I confirm that I have read and understood the information sheet dated Version 1.1 - 26/11/14 for the above study. I have had the opportunity to consider the information and asked questions which have been answered satisfactorily.
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason. Furthermore, I understand that I will be able to withdraw my data up to the point of publication in August 31, 2016
3. I consent to the processing of my personal information for the purposes explained to me. I understand that such information will be handled in accordance with the terms of the UK Data Protection Act 1998.
4. I understand that my information may be subject to review by responsible individuals from the College for monitoring and audit purposes.
5. Anonymity is optional for this research. Please select from the following 3 options:
 - a. I agree to be fully identified
 - b. I agree to be partially identified

Please tick

☐
☐
☐
☐
☐
☐

c. I wish to remain anonymous

☐

6. I understand that the information I have submitted will be published as a report.

☐

7. I consent to my interview being audio/video recorded.

☐

8. I wish to receive a copy of the published report.

☐

Name of Participant

Date

Signature

Name of Researcher

Date

Signature

Draft introductory email and formal letters for recruiting interviewees

Subject: King's College PhD Student – Interview request – Decentralisation and Social Protection Programme

Dear XXXXXX,

I am a PhD student from Kings College London, working within the International Development Institute under Dr Andrew Sumner. The title of my research project is 'Has Decentralisation and Democratisation been Effective in Promoting an Inclusive Social Protection System in Indonesia? A Comparative Case Study of the Implementation of Social Protection Programmes in Central Java' and I would very much like to interview you as part of my work.

I am interested in discovering what links exist between the implementation of decentralisation and the design and reform of social protection programmes. Please see attached an 'Information Sheet', which explains my research in more detail and the kind of people who I am asking to assist me with interviews.

I will be travelling to Indonesia in XXXX (precise date TBC), and would very much like to interview you as part of my research. Please see the attached 'Consent Form' which you will be required to read and sign if you agree to be interviewed.

If you are interested in assisting me with my work, are available for an interview, or if you know anyone else who may be, please let me know via email so we can arrange a time and place for the interview. Also feel free to provide a contact telephone number for yourself if you wish to discuss further over the phone.

Please note that you are under no obligation at all to reply to this email or consent to being interviewed, and that if we proceed you will be able to withdraw consent at any time. Also note that this study has been approved by King's College London Social Sciences, Humanities and Law Research Ethics Subcommittee, under reference number XXXX.

I hope that is all clear and OK. Please feel free to ask me any question you may have about myself or my work.

Many thanks,

Dharendra Wardhana

King's International Development Institute

King's College London

Strand Campus | London, WC2R 2LS

dharendra.wardhana@kcl.ac.uk

Topic guide for the interviews

A. Respondent: local government officials

Area: regional autonomy and governance

1. In your opinion, what does regional autonomy mean?
 - a. What are its implications for budget size?
 - b. What are its implications for local governance?
2. How does the local government set up regional development planning?
 - a. To what extent do local leaders influence the local planning process?
 - b. To what extent do local parliaments influence the local planning process?
 - c. Are local people involved in the planning process?
 - d. How does local government respond to public aspirations?
3. With respect to the delivery of public services, which services are new and which services have been continued from the pre-decentralisation era?
 - a. Are there any minimum standards used when providing public services?
 - b. How is the public involved in monitoring or delivering public services?
4. How is the local government budget being allocated?
 - a. What are the sources of revenue?
 - b. Are there any priorities in the budget allocation process?
 - c. How are the priorities being decided?
 - d. To what extent does the budget reflect community priorities?
5. Do you have any capacity building training or workshops for local government? If so:
 - a. Are they regular?
 - b. How are they conducted? (Length, materials, resources, personnel)

Area: social protection programme

1. A number of social protection (SP) programmes were considered as national flagship programmes. How are they set up in respect to regional development planning?
 - a. Are there any special implementation agencies for the national SP programme?
 - b. Can you explain the operational mechanisms of the national SP programme at the local level since the implementation of regional autonomy?
 - c. Is there any co-ordination between local government and the higher levels of government?
2. Has the local government initiated programmes and policies directed towards poor and vulnerable groups?
 - a. What are they?
 - b. Do they come from the local leaders or local parliament?
3. If the local government has initiated SP locally, who is involved in setting and implementing the programmes?
4. Does the local government have full authority over implementation or do they have to follow central government guidelines?
5. With respect to the local SP budget, how much is allocated for this year?
 - a. What is the trend? (Increasing, decreasing, stagnant)
 - b. How is local government represented in the budget?

- c. Who is involved in the budgeting process?
6. Does the local government have detailed information on who the poor and vulnerable are?
 - a. If yes, how does the local government obtain the information?
7. In regards to targeting beneficiaries, can you explain the data collection process?
 - a. Is it done under the authority of local government or is it done through using the unified database from central government?
 - b. How long does the process take?
 - c. Do you know about its method?
 - d. Did the local government have the baseline data before the collection process?
 - e. Which stakeholders are involved in the data collection process?
 - f. What are their roles and responsibilities?
 - g. What criteria are used to select beneficiaries?
 - h. Who decided on the beneficiary lists?
 - i. What percentage of the budget is used for the targeting and selection process (as a percentage of the total budget for SP)?
8. In regards to the dissemination of the SP programme, can you explain the process?
 - a. Which dissemination method is used for the SP programme?
 - b. Who is involved in the dissemination process?
 - c. Who is the target audience for the dissemination?
 - d. What are the contents of the dissemination?
 - e. What percentage of the budget is used for the dissemination process?
9. Can you mention what has been achieved in the local SP programme?
 - a. To what extent is the degree of success/failure compared to the national SP programme?
10. What are the main problems facing the implementation of SP?
11. Have there been any changes in the delivery of SP programmes since the implementation of regional autonomy?
 - a. What are the significant changes?

B. Respondent: local parliament members

Area: regional autonomy and governance

1. In your opinion, what does regional autonomy mean?
 - a. What are its implications for budget size?
 - b. What are its implications for local governance?
2. Do you know how the local government sets up regional development planning?
 - a. To what extent do local leaders influence the local planning process?
 - b. To what extent do local parliaments influence the local planning process?
 - c. Are local people involved in the planning process?
 - d. To what extent does the local government respond to public aspirations?
3. Based on your experience and evaluation, how does the local government performance in delivering public services?
4. Do you think that local government applies minimum standard when providing public services?
5. Is the local government budget allocation based on priorities?
 - a. In your opinion, do you agree with the priorities set up by local government?

- b. In your opinion, to what extent does the budget reflect community priorities?

Area: social protection programme

1. Has the local parliament been involved in the SP programme in this region?
2. If yes, can you explain its involvement (e.g. setting the budget, monitoring, evaluation, etc.)?
3. Has the local parliament contributed towards initiating programmes and policies directed towards poor and vulnerable groups? If so:
 - a. What are they?
 - b. Does the initiation come from certain local parliament members or factions?
4. Do you think that there is sufficient budget allocation for SP?
5. To what extent has the local parliament had a controlling role in the implementation of SP?
6. What are the main problems facing local parliaments in this region regarding monitoring and evaluating SP?

C. Respondent: NGOs and community leaders

Area: regional autonomy and governance

1. In your opinion, what does regional autonomy mean?
 - a. What are its implications for budget size?
 - b. What are its implication for local governance?
 - c. What are its implications for public participation?
2. Have you ever participated in or been involved with a local government agenda? (For example, in setting up programmes or in the delivery of public services)
3. In your opinion, to what extent does local government respond to public aspirations?
4. What are the most important public services that local government should be delivering?
5. Based on your experience and evaluation, how local government performing in delivering public services?
6. Do you think that citizens are involved in monitoring or delivering public services?
7. Is the local government budget allocation based on community priorities?
 - a. Do you agree with the current priorities set up by the local government?
8. To what extent does public service delivery meet the community's main needs?
9. What is your opinion of the administrative and technical skills of the region's civil service?
 - a. Do you think that public sector personnel are competent enough to undertake their duties?
10. In your opinion, how accountable is local government in this region?

Area: social protection programme

1. To what extent do poverty and inequality exist in this area?
2. Do you know that the SP programme is a national programme which must be conducted in this district and that it should be one of the main priorities in the regional development?
3. What type of SP programme is conducted in your area?
4. To what extent are the local people involved in setting up the programme? (In terms of determining the most appropriate programme for meeting local conditions, preferences, and needs)?
5. Are there any clear guidelines or dissemination for the SP programme from local government?

- a. How can potential beneficiaries apply for SP?
 - b. How can beneficiaries participate in the programme?
6. Can you tell me the extent to which the programme has been successful?
7. Are there any problems or difficulties in programme implementation?
 - a. What are the problems?
 - b. What caused these problems?
 - c. How can these problems be resolved?

D. Respondent: facilitators

Area: governance

1. Who is responsible for the recruitment process?
 - a. What are their roles?
2. Can you briefly explain the recruitment process (Steps, tests, results, timeline)?
3. Is there any form of binding work contract?
 - a. Does the contract mention any of your rights?
 - b. Does it explicitly mention your roles?
4. Did you undertake any training before working as a facilitator?
 - a. Who provided the training?
 - b. How does it support your job?
5. How is the co-ordination mechanism established in your work?
 - a. To whom do you deliver regular reports?
6. Are you related to any personnel working in the local office?
7. Do you think that the facilitators are involved in monitoring or delivering public services?
8. In your opinion, how accountable is the local government in this region?

Area: social protection programme

1. To what extent do poverty and inequality exist in this area?
2. Do you know that the SP programme is a national programme that must be conducted in this district and that it should be one of the main priorities in development of the region?
3. What type of SP programme is conducted in your area?
4. To what extent are the facilitators involved in the programme?
 - a. What is your main duty?
 - b. Are you related to any SP beneficiaries?
 - c. Is your working area close to your home? (Approximately <5km)
 - d. Were you involved in selecting the beneficiaries?
5. Are there any clear guidelines or dissemination for the SP programme from the local government?
 - a. How do the facilitators work in the SP programme?
 - b. Is the current ratio of facilitators to beneficiaries ideal?
 - c. If not, what is the ideal number in your estimation?
6. Can you tell me the extent to which the SP programme has been successful?
7. Are there any problems or difficulties in programme implementation?
 - a. What are the problems?
 - b. What caused these problems?
 - c. How can these problems be resolved?

- d. Have you received any complaints from the beneficiaries?

E. Respondent: beneficiaries

Area: governance

1. Have you ever participated in or been involved with a local government agenda? (For example, in setting up programmes or in public services delivery.)
2. In your opinion, to what extent does the local government respond to the public's aspirations?
3. What are the most important public services that the local government should be delivering?
4. Based on your experience and evaluation, how does the local government perform in delivering public services?
5. In your opinion, how accountable is the local government in this region?

Area: social protection programme

1. How did you first find out about the SP programme that you are currently receiving?
2. Since when have you (or your family) received assistance in the form of SP?
3. What is the assistance? (Subsidised rice, scholarship, cash transfer)
 - a. How much do you receive for this assistance?
 - b. How do you receive the assistance (e.g. from the post office, transferred to your bank account, at the local markets, delivered by a facilitator)?
 - c. When do you usually receive it? (How regularly?)
 - d. Do you think that you currently receive the actual amount?
 - e. If not, what do you think the difference is used for?
4. In your opinion, do you think that the benefit is sufficient to meet your needs?
 - a. If not, how much do you think that the benefit should be increased?
5. To what extent do poverty and inequality exist in this area?
 - a. Do you know of neighbours or friends who should receive assistance, but they do not?
 - b. Do you know of neighbours or friends who should not receive assistance, but they do?
 - c. Do you think that you are eligible for other SP programme? What are they?
6. To what extent are beneficiaries involved in the programme? (This is in terms of determining the most appropriate programme for meetings the local conditions, preferences, and needs.)
7. Is there clear guideline about the programme for beneficiaries?
 - a. How can people apply for SP?
 - b. How can the beneficiaries participate in the programme?
8. In regards to your relationship with the facilitators, did you know them before the programme?
 - a. How often do you meet with the facilitators?
9. Have there been any problems or difficulties in implementing the programme?
 - a. What are the problems?
 - b. What caused these problems?

- c. How can these problems be resolved?
 - d. How do you voice your complaints? Have they been redressed properly?
- 10. Do you have any input or suggestions for improving the SP programme?

Appendix B-3 - Information Sheet and Consent Form – IDN

LAMPIRAN 2: Form persetujuan untuk pihak terwawancara

Versi 1.1 – 26/11/14

FORMULIR PERSETUJUAN UNTUK PESERTA DALAM STUDI PENELITIAN

Silahkan mengisi formulir ini setelah anda membaca Lembar Informasi dan/atau mendengarkan penjelasan tentang riset ini.



Judul Penelitian: Apakah Desentralisasi telah Efektif dalam Mempromosikan Sistem Perlindungan Sosial yang Inklusif di Indonesia? Sebuah Perbandingan Kasus Pelaksanaan Program Sosial Perlindungan di Jawa Tengah

Disetujui oleh Komite Riset Etik dari King's College Ref: REP/14/15-62

Terima kasih atas pertimbangannya untuk turut ambil bagian dalam penelitian ini. Pihak yang mengorganisir penelitian ini harus menjelaskan kegiatan ini sebelum anda menyetujui untuk berpartisipasi. Jika Anda memiliki pertanyaan terkait dengan Lembar Informasi atau penjelasan yang sudah diberikan, silakan bertanya pada pihak peneliti sebelum anda memutuskan bergabung. Anda akan diberikan salinan Formulir Izin ini untuk disimpan dan ditinjau setiap saat.

Dengan ini saya menyatakan bahwa dengan mencentang setiap kotak saya menyetujui setiap elemen dalam penelitian ini. Saya mengerti bahwa hal itu akan diasumsikan bahwa kotak yang tidak dicentang dapat diartikan bahwa saya TIDAK menyetujui suatu bagian dari penelitian ini. Saya memahami bahwa dengan tidak memberikan persetujuan untuk salah satu elemen dalam riset ini berakibat pada hilangnya syarat kelayakan saya untuk berpartisipasi dalam penelitian ini.

Silakan
centang

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Silakan
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1. Saya menyatakan bahwa saya telah membaca dan memahami lembar informasi Versi 1.1 - 26/11/14 untuk keperluan studi di atas. Saya telah mendapat kesempatan untuk mempertimbangkan seluruh informasi dan mengajukan pertanyaan yang telah dijawab secara memuaskan.
2. Saya memahami bahwa keikutsertaan saya bersifat sukarela dan bahwa saya bebas untuk mengundurkan diri setiap saat tanpa memberikan alasan apapun. Selain itu, saya memahami bahwa saya berhak menarik kembali data saya selambatnya pada 31 Agustus 2016
3. Saya menyetujui pengolahan atas informasi pribadi saya untuk tujuan yang telah dijelaskan kepada saya. Saya mengerti bahwa informasi tersebut akan dikelola sesuai dengan ketentuan Undang-Undang Perlindungan Data Inggris 1998 (UK Data Protection Act 1998).
4. Saya memahami bahwa informasi yang saya berikan dapat ditinjau oleh individu-individu yang bertanggung jawab dari College untuk keperluan pemantauan dan audit.

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5. Anonimitas data pribadi bersifat opsional untuk penelitian ini. Silakan pilih dari 3 pilihan berikut:

- a. Saya bersedia untuk diidentifikasi sepenuhnya
- b. Saya bersedia untuk diidentifikasi sebagian
- c. Saya ingin data pribadi bersifat anonim

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6. Saya memahami bahwa informasi yang saya sampaikan akan diterbitkan sebagai laporan.

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7. Saya bersedia untuk direkam suara/gambar saat melakukan wawancara,

☐

8. Saya ingin menerima salinan laporan yang diterbitkan

☐


Sugeng
Nama Peserta

Tanggal

Tanda tangan

Nama Periset

Tanggal

Tanda tangan

Appendix B-4 - Mail contact IDN

King's International
Development Institute

Andy Sumner
Co-Director

King's International
Development Institute
Strand Campus
King's College London
London WC2R 2LS



No: 04/SR/05/2015
Tanggal: 12 Mei 2015

Yth. Bapak Suhardjo
Ketua Komisi IV
DPRD Kabupaten Sragen
Jl. Sukowati No.255 Sragen

Perihal: Mahasiswa S3 King's College London – Permohonan wawancara – Desentralisasi dan Program Perlindungan Sosial

Lampiran: 3 (tiga) berkas

Nama saya Dharendra Wardhana, sekarang berstatus mahasiswa S3 dari King's College London, saat ini sedang mengerjakan penelitian di bawah naungan Lembaga Pembangunan Internasional dengan bimbingan Dr Andrew Sumner. Judul proyek penelitian saya adalah *'Apakah Desentralisasi telah Efektif dalam Mempromosikan Sistem Perlindungan Sosial yang Inklusif di Indonesia? Sebuah Perbandingan Kasus Pelaksanaan Program Sosial Perlindungan di Jawa Tengah'* dan saya bermaksud untuk mewawancarai anda sebagai bagian dari riset saya.

Dalam penelitian tersebut, saya tertarik untuk mencari hubungan antara pelaksanaan desentralisasi atas perancangan desain dan reformasi program perlindungan sosial. Terlampir kami sampaikan 'Lembar Informasi' yang menjelaskan penelitian saya secara lebih rinci serta persyaratan responden lain yang saya perlukan untuk wawancara. Saya akan melakukan perjalanan ke Indonesia pada tanggal 11 Mei – 1 Agustus 2015, dan sangat ingin mewawancarai anda sebagai bagian dari penelitian saya. Untuk keterangan lebih lengkap, silakan merujuk pada lampiran 'Form Persetujuan' yang perlu untuk anda baca sebelumnya dan ditandatangani jika anda setuju untuk diwawancarai.

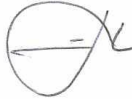
Jika anda bersedia membantu saya dalam penelitian ini, bersedia untuk diwawancarai, atau jika anda tahu orang lain yang mungkin bersedia diwawancarai, mohon dapat memberitahu saya melalui email sehingga kita dapat mengatur waktu dan tempat untuk wawancara. Anda juga sangat dipersilakan untuk memberikan nomor kontak telepon saya untuk diri sendiri jika anda ingin membahas lebih lanjut melalui telepon

Mohon diketahui bahwa anda tidak berkewajiban sama sekali untuk membalas surat ini atau memberikan persetujuan untuk diwawancarai, dan seandainya kita bersepakat untuk melanjutkan dengan wawancara, anda tetap akan dapat menarik persetujuan setiap saat. Perlu diketahui bahwa penelitian ini telah disetujui oleh Subkomite Etika Penelitian Ilmu Sosial, Humaniora dan Hukum di bawah King's College London dengan nomor referensi REP/14/15-62.

Saya berharap agar pemberitahuan ini dapat diterima dengan jelas. Apabila ada beberapa hal yang perlu diklarifikasi silahkan mengajukan pertanyaan apapun yang mungkin Anda miliki tentang profil atau pekerjaan saya.

Atas perhatiannya kami sampaikan banyak terima kasih,

Dharendra Wardhana

A handwritten signature in black ink, consisting of a circle with a horizontal line through it and a stylized 'W' or 'L' shape to the right.

King's International Development Institute
King's College London
Strand Campus | London, WC2R 2LS
dharendra.wardhana@kcl.ac.uk

Appendix B-5 - Coding scheme and description

Root node	Sub-node 1	Sub-node 2	Sub-node 3
Decentralisation	Fiscal capacity	Inter-governmental transfer	DAU (general purpose grant)
			DAK (specific purpose grant)
			Formula
			Subsidy
		Local revenue	Proliferation
			Licence
			Streamlining
	Authority	Governance	Accountability
			Bureaucracy
			Coordination
			Capacity building
			Regulation
			Discretion
			Corruption
			Bottom-up
			Top-down
		Local service delivery	Minimum service standard
			National mandate
			Local initiative
			Monitoring and evaluation
			Corruption
Democratisation	Direct election	Political campaign	Success team
			Money politics
			<i>Serangan fajar</i> (give away)
	Local politics	Clientelism	Patronage
			Elite capture
			Coalition
		Political cleavage	Nationalist
			Islamist
			Pluralist
Social Protection	Social assistance	Cash transfer	Compensation
			Scholarship
		In-kind transfer	Rice subsidy
			Health care
			Housing
			Vocational training
	Social insurance	Formal	Pension
			Contribution
		Informal mutual help	<i>Arisan</i> (ROSCA)
			Solidarity
	Empowerment	Gender	Mainstreaming
			Advocacy
			Dissemination
		Household	Parenting
			Regular meetings
		Community	
			Facilitator

Root node	Sub-node 1	Sub-node 2	Sub-node 3
			Party cadres
			Gotong royong
			Crowdfunding
	Distribution	Targeting	Entitlement
			Survey
			Community-based
			Faith-based organisation
			Grievance mechanism
			Weighting method
			Beneficiaries
		Universal	Payment
			<i>Bagi Rata</i> (equal sharing)
		Impact	Poverty
			Unemployment
			Inequality
			Disability

Appendix B-6 - List of interviews

Date	Place	Title	Group
11/05/2015	Office of UPTPK	Head of UPTPK (Bapak Suyadi)	Local government - Sragen
11/05/2015	Office of UPTPK	Head of Education Section UPTPK (Bapak Indardjo)	Local government - Sragen
12/05/2015	Office of Kesbangpol (National Unity and Politics)	Official of Kesbangpol (Bapak Sugeng Priyono)	Local government - Sragen
12/05/2015	Office of Bappeda (Regional Development Planning agency)	Official of Bappeda (Bapak Wahyudi)	Local government - Sragen
13/05/2015	House of Bapak Sunarto	Recipients of health care and scholarship	Beneficiary - Sragen
13/05/2015	House of Bapak Agus	Recipients of health care	Beneficiary - Sragen
13/05/2015	House of Ibu Atun	Recipients of health care and subsidised rice	Beneficiary - Sragen
13/05/2015	House of Bapak Sugimin	Head of RW (Bapak Sugimin)	Community leader - Sragen
13/05/2015	Office of Dinas Sosial	Head of Local Social Office (Bapak Wangsit Sukono)	Local government - Sragen
17/05/2015	Office of Dinas Sosial	Secretary of Local Social Office (Ibu Dwi)	Local government - Sragen
18/05/2015	Office of Regional Secretary	Head of Section for Women Empowerment, Gender, and Child Protection (Ibu Dian)	Local government - Sragen
19/05/2015	Office of MATRA	Director of MATRA (Bapak Suparto)	NGO - Sragen
19/05/2015	Office of MATRA	Secretary of MATRA (Bapak Sugino)	NGO - Sragen
19/05/2015	House of Bapak Dalino	Recipients of health care and housing improvement	Beneficiary - Sragen
19/05/2015	House of ibu Rumiyaatun	Recipients of health care, rice subsidy, and housing improvement	Beneficiary - Sragen
19/05/2015	House of Bapak Sujimin	Recipients of health care	Beneficiary - Sragen
19/05/2015	House of ibu Poniyeem	Recipients of housing improvement	Beneficiary - Sragen
20/05/2015	Office of BAZ Kabupaten Sragen	Secretary of BAZ Kabupaten Sragen (Bapak Drs. H. Mahmudi, M.Si)	NGO - Sragen
20/05/2015	Office of BAZ Kabupaten Sragen	Official of BAZ Kabupaten Sragen (Ibu Yuli)	NGO - Sragen
21/05/2015	House of Bapak Karyo	Recipients of health care and cash transfer	Beneficiary - Sragen
21/05/2015	House of Ibu Sukinem	Recipients of health care and cash transfer	Beneficiary - Sragen
25/05/2015	Office of DPRD - Sragen	Head of Commission IV Social Welfare (H. Suharjo, SH)	Local parliament - Sragen

Date	Place	Title	Group
26/05/2015	Office of DPRD - Sragen	Member of Commission IV Social Welfare (Bapak Bambang Lukito Samudro)	Local parliament - Sragen
27/05/2015	Office of Sub-District Sragen Tengah	Coordinator (Bapak Darmanto)	Facilitator - Sragen
27/05/2015	Office of Sub-District Sragen Tengah	Official (Bapak Andri)	Facilitator - Sragen
28/05/2015	House of Bapak Ahmad	Recipients of health care, disability benefit, housing improvement, and subsidised rice	Beneficiary - Sragen
01/06/2015	Office of PPRBM	Director of PPRBM (Bapak Sunarman Sukamto)	NGO – Surakarta
02/06/2015	Office of DPRD - Surakarta	Head of Commission IV Social Welfare (Bapak Paulus Haryoto)	Local parliament - Surakarta
03/06/2015	Office of Dinas Sosial & Nakertrans (Office of Social and Labour) - Surakarta	Head of Local Social Office (Bapak Sumartono Kardjo)	Local government - Surakarta
03/06/2015	Office of Kesbangpol (National Unity and Politics)	Head of Kesbangpol (Bapak Suharso)	Local government - Surakarta
03/06/2015	Office of Bappeda (Regional Development Planning agency)	Official of Bappeda (Bapak Yuli)	Local government - Surakarta
04/06/2015	House of Bapak Agung	Recipients of cash transfer, health care and scholarship	Beneficiary - Surakarta
05/06/2015	House of Bapak Kurnia	Recipients of cash transfer, health care and disability benefit	Beneficiary – Surakarta
05/06/2015	Office of Sub-District Laweyan	Coordinator of facilitators (Bapak Suminto)	Facilitator – Surakarta
08/06/2015	Office of Regional Secretary	Head of Section for Community Development, Women Empowerment, Child Protection and Family Planning (Bapak Anung Indro Susanto)	Local government - Surakarta
08/06/2015	House of Bapak Rudi	Head of RW (Bapak Rudi)	Community leader - Surakarta
09/06/2015	House of Ibu Darmi	Recipients of cash transfer, health care and scholarship	Beneficiary – Surakarta
10/06/2015	House of Bapak Yahman	Recipients of cash transfer, health care and scholarship	Beneficiary – Surakarta
11/06/2015	Office of Sub-District Purwosari	Facilitator (Bapak Arif)	Facilitator – Surakarta
11/06/2015	House of Ibu Sri	Recipients of cash transfer, health care and scholarship	Beneficiary – Surakarta

Appendix C-1 - Correlation Matrix

		GDP per capita	Non-agriculture GDP	Non-oil GDP	Population	Local government revenue	Poverty rate	Morbidity rate	Net enrolment ratio - primary	Net enrolment ratio - junior	Net enrolment ratio - senior	Audit result	Total local expenditure	Social protection expenditure	Economic expenditure	Education expenditure	Health expenditure	Infrastructure expenditure
GDP per capita	Pearson	1.00																
	Sig. (2-tailed)																	
	N	495																
Non-agriculture GDP	Pearson	0.418	1.00															
	Sig. (2-tailed)	0.000																
	N	495	495															
Non-oil GDP	Pearson	-0.4973	-0.2036	1.00														
	Sig. (2-tailed)	0.000	0.000															
	N	495	495	495														
Population	Pearson	0.0636	0.2887	0.0269	1.00													
	Sig. (2-tailed)	0.1574	0.000	0.5506														
	N	495	495	495	495													
Local government revenue	Pearson	-0.1553	-0.2602	0.0733	-0.2497	1.00												
	Sig. (2-tailed)	0.0006	0.000	0.1059	0.000													
	N	488	488	488	488	488												
Poverty rate	Pearson	-0.1979	-0.3883	0.011	-0.2051	0.508	1.00											

		GDP per capita	Non-agriculture GDP	Non-oil GDP	Population	Local government revenue	Poverty rate	Morbidity rate	Net enrolment ratio - primary	Net enrolment ratio - junior	Net enrolment ratio - senior	Audit result	Total local expenditure	Social protection expenditure	Economic expenditure	Education expenditure	Health expenditure	Infrastructure expenditure
	Sig. (2-tailed)	0.000	0.000	0.8068	0.000	0.000												
	N	495	495	495	495	488	495											
Morbidity rate	Pearson	-0.0832	-0.0941	0.0523	-0.0112	0.0594	0.0861	1.00										
	Sig. (2-tailed)	0.0642	0.0364	0.2453	0.8032	0.1904	0.0554											
	N	495	495	495	495	488	495	495										
Net enrolment ratio - primary	Pearson	0.0637	0.1021	-0.0554	0.1224	-0.3742	-0.4276	0.003	1.00									
	Sig. (2-tailed)	0.1573	0.0231	0.2182	0.0064	0.000	0.000	0.9471										
	N	495	495	495	495	488	495	495	495									
Net enrolment ratio - junior	Pearson	0.1545	0.2497	-0.0504	0.2284	-0.4329	-0.4227	-0.0566	0.656	1.00								
	Sig. (2-tailed)	0.0006	0.0000	0.2634	0.0000	0.0000	0.0000	0.2088	0.0000									
	N	495	495	495	495	488	495	495	495	495								
Net enrolment ratio - senior	Pearson	0.1787	0.3206	-0.1075	-0.0505	-0.2596	-0.3329	-0.0099	0.3669	0.6554	1.00							
	Sig. (2-tailed)	0.0001	0.000	0.0169	0.2628	0.000	0.000	0.8259	0.0000	0.0000								
	N	493	493	493	493	486	493	493	493	493	493							
Audit result	Pearson	-0.0711	-0.2890	0.0105	-0.2174	0.4368	0.4642	0.0478	-0.2637	-0.363	-0.2723	1.00						
	Sig. (2-tailed)	0.1163	0.0000	0.8164	0.0000	0.0000	0.0000	0.2910	0.0000	0.0000	0.0000							
	N	489	489	489	489	488	489	489	489	489	489	489						
Total local expenditure	Pearson	-0.1673	-0.2769	0.0779	-0.2649	0.987	0.5198	0.0709	-0.3863	-0.4513	-0.2531	0.4429	1.00					

		GDP per capita	Non-agriculture GDP	Non-oil GDP	Population	Local government revenue	Poverty rate	Morbidity rate	Net enrolment ratio - primary	Net enrolment ratio - junior	Net enrolment ratio - senior	Audit result	Total local expenditure	Social protection expenditure	Economic expenditure	Education expenditure	Health expenditure	Infrastructure expenditure
	Sig. (2-tailed)	0.0002	0.0000	0.0857	0.0000	0.0000	0.0000	0.1179	0.0000	0.0000	0.0000	0.0000						
	N	488	488	488	488	488	488	488	488	488	488	488	488					
Social protection expenditure	Pearson	-0.111	-0.2065	0.0514	-0.2599	0.3706	0.4227	0.0108	-0.4390	-0.4128	-0.3270	0.3016	0.3853	1.00				
	Sig. (2-tailed)	0.0251	0.0000	0.3013	0.0000	0.0000	0.0000	0.8277	0.0000	0.0000	0.0000	0.0000	0.0000					
	N	407	407	407	407	406	407	407	407	407	405	407	406	407				
Economic expenditure	Pearson	-0.1012	-0.2137	0.0314	-0.2656	0.6762	0.5123	-0.0167	-0.4670	-0.4898	-0.3316	0.4550	0.6836	0.6980	1.00			
	Sig. (2-tailed)	0.0412	0.0000	0.5278	0.0000	0.0000	0.0000	0.7368	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000				
	N	407	407	407	407	406	407	407	407	407	405	407	406	407	407			
Education expenditure	Pearson	-0.2504	-0.3051	0.1405	-0.2878	0.6949	0.3815	0.1400	-0.2341	-0.3297	-0.1021	0.3022	0.707	0.4782	0.5948	1.00		
	Sig. (2-tailed)	0.0000	0.0000	0.0046	0.0000	0.0000	0.0000	0.0047	0.0000	0.0000	0.0402	0.0000	0.0000	0.0000	0.0000			
	N	406	406	406	406	405	406	406	406	406	404	406	405	406	406	406		
Health expenditure	Pearson	-0.1615	-0.2148	0.0916	-0.2787	0.6779	0.4386	0.1314	-0.3945	-0.4545	-0.1824	0.3596	0.695	0.5808	0.6858	0.9065	1.00	
	Sig. (2-tailed)	0.0011	0.0000	0.0647	0.0000	0.0000	0.0000	0.0080	0.0000	0.0000	0.0402	0.0000	0.0000	0.0000	0.0000	0.0000		
	N	407	407	407	407	406	407	407	407	407	405	407	406	407	407	406	407	
Infrastructure expenditure	Pearson	-0.0819	-0.1660	0.0356	-0.1595	0.9299	0.3329	0.0843	-0.1925	-0.2975	-0.1488	0.3125	0.9186	0.267	0.5648	0.7300	0.6950	1.00
	Sig. (2-tailed)	0.0990	0.0008	0.4743	0.0012	0.0000	0.0000	0.0894	0.0001	0.0000	0.0027	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
	N	407	407	407	407	406	407	407	407	407	405	407	406	407	407	406	407	407

Appendix C-2 - ANOVA

		Sum of squares	Df	Mean square	F	Sig.
GDP per capita	Between	109.667	3	36.556	0.39	0.758
	Within	37107.086	399	93.000		
	Total	37216.753	402			
Non-agriculture GDP	Between	0.513	3	0.171	5.71	0.001
	Within	11.959	399	0.030		
	Total	12.473	402			
Non-oil GDP	Between	0.030	3	0.010	0.83	0.477
	Within	4.742	399	0.012		
	Total	4.771	402			
Population	Between	118,670,000,000,000	3	39,558,000,000,000	969.48	0.000
	Within	16,280,000,000,000	399	40,803,000,000		
	Total	134,950,000,000,000	402			
Local government revenue	Between	60.745	3	20.248	11.14	0.000
	Within	725.058	399	1.817		
	Total	785.804	402			
Poverty rate	Between	1126.462	3	375.487	5.19	0.002
	Within	28854.307	399	72.317		
	Total	29980.768	402			
Morbidity rate	Between	71.956	3	23.985	0.36	0.785
	Within	26856.905	399	67.311		
	Total	26928.861	402			
Net enrolment ratio - primary	Between	407.249	3	135.750	2.53	0.057
	Within	21409.855	399	53.659		
	Total	21817.105	402			
Net enrolment ratio - junior	Between	3,368.720	3	1,122.907	10.83	0.000
	Within	41,386.788	399	103.726		

		Sum of squares	Df	Mean square	F	Sig.
Total		44,755.508	402			
Net enrolment ratio - senior	Between	596.35	3	198.785	1.21	0.307
	Within	65,668.82	399	164.584		
	Total	66,265.17	402			
Audit result	Between	40.345	3	13.448	10.75	0.000
	Within	499.020	399	1.251		
	Total	539.365	402	1.342		
Total local expenditure	Between	51.018	3	17.006	13.1	0.000
	Within	518.073	399	1.298		
	Total	569.091	402	1.416		
Social protection expenditure	Between	0.010	3	0.003	16.12	0.000
	Within	0.079	399	0.000		
	Total	0.088	402			
Economic expenditure	Between	41,014	3	13,671	14.92	0.000
	Within	365,608	399	916.3		
	Total	406,623	402			
Education expenditure	Between	1.429	3	0.476	15.02	0.000
	Within	12.656	399	0.032		
	Total	14.085	402			
Health expenditure	Between	0.401	3	0.134	17.94	0.000
	Within	2.970	399	0.007		
	Total	3.371	402			

		Sum of squares	Df	Mean square	F	Sig.
Infrastructure expenditure	Between	3.457	3	1.152	4.68	0.003
	Within	98.345	399	0.246		
	Total	101.803	402			

Appendix C-3 - Cluster Centroids

Development clusters		GDP per capita	Non-agriculture GDP	Non-oil GDP	Population	Local revenue	Poverty rate	Morbidity rate	Net enrolment ratio - primary	Net enrolment ratio - junior	Net enrolment ratio - senior	Audit result	Total local expenditure	Social protection expenditure	Economic expenditure	Education expenditure	Health expenditure	Infrastructure expenditure
C1	Mean	7.766	0.655	0.979	158,583	1.042	16.220	29.589	89.336	63.603	49.063	2.933	0.968	0.011	24.504	0.234	0.088	0.215
	N	223	223	223	223	223	223	223	223	223	223	223	223	223	223	223	223	223
	Std. dev.	11.285	0.181	0.099	76471.639	1.799	10.214	8.795	9.516	12.360	14.555	1.312	1.520	0.019	40.410	0.230	0.115	0.664
C2	Mean	7.814	0.691	0.964	554,729	0.302	13.198	29.792	91.121	67.676	50.053	2.298	0.292	0.002	4.950	0.130	0.028	0.034
	N	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121
	Std. dev.	7.548	0.164	0.131	193,815	0.152	5.864	7.439	2.807	6.939	10.652	0.809	0.149	0.002	3.286	0.077	0.017	0.023
C3	Mean	6.407	0.723	0.964	1,296,703	0.207	13.975	29.910	91.599	71.811	47.621	2.244	0.201	0.001	3.032	0.104	0.020	0.020
	N	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45
	Std. dev.	4.722	0.146	0.102	263,274	0.084	5.333	7.164	2.205	5.066	7.913	0.704	0.082	0.001	1.649	0.050	0.009	0.012
C4	Mean	9.213	0.819	0.996	2634552.643	0.129	9.896	27.475	92.096	70.040	43.819	2.571	0.125	0.001	2.210	0.058	0.013	0.011
	N	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
	Std. dev.	7.599	0.166	0.009	722690.311	0.051	3.236	6.567	1.805	4.908	11.588	0.979	0.052	0.001	1.286	0.031	0.007	0.006
National average	Mean	7.80	0.72	0.98	1161141.97	0.42	13.32	29.19	91.04	68.28	47.64	2.51	0.40	0.00	8.67	0.13	0.04	0.07
	N	403	403	403	403	403	403	403	403	403	403	403	403	403	403	403	403	403
	Std. dev.	7.79	0.16	0.09	314062.61	0.52	6.16	7.49	4.08	7.32	11.18	0.95	0.45	0.01	11.66	0.10	0.04	0.18

Appendix C-4 - Cluster membership

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Lanny Jaya, Kab.	1.300602	C1	Lagged	1
Lembata, Kab.	1.325021	C1	Lagged	2
Sumba Barat Daya, Kab.	1.40404	C1		3
Tambrau, Kab.	1.478386	C1	Lagged	4
Seram Bagian Timur, Kab.	1.527466	C1	Lagged	5
Manggarai Timur, Kab.	1.565708	C1	Lagged	6
Yalimo, Kab.	1.59607	C1	Lagged	7
Buru, Kab.	1.663017	C1	Lagged	8
Sumba Tengah, Kab.	1.672788	C1		9
Maluku Tengah, Kab.	1.81521	C2	Lagged	10
Tolikara, Kab.	1.830784	C1	Lagged	11
Manggarai Barat, Kab.	1.852633	C1	Lagged	12
Deiyai, Kab.	2.054912	C1		13
Bone Bolango, Kab.	2.072705	C1		14
Manggarai, Kab.	2.07638	C1		15
Sabu Raijua, Kab.	2.094119	C1		16
Puncak, Kab.	2.110834	C1		17
Puncak Jaya, Kab.	2.189311	C1	Lagged	18
Timor Tengah Utara, Kab.	2.189476	C1	Border	19
Kupang, Kab.	2.200094	C2	Border	20
Timor Tengah Selatan, Kab.	2.228667	C2		21
Alor, Kab.	2.338193	C1	Border, Lagged	22
Kaur, Kab.	2.342222	C1	Lagged	23
Halmahera Barat, Kab.	2.34293	C1	Lagged	24
Nagekeo, Kab.	2.401509	C1		25
Maluku Tenggara, Kab.	2.41958	C1		26
Grobogan, Kab.	2.553632	C3		27

²² The category is taken from MoVDRAT and Ministry of National Development (2010).

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Maybrat, Kab.	2.556699	C1	Lagged	28
Kepulauan Aru, Kab.	2.56365	C1	Border, Lagged	29
Gorontalo, Kab.	2.574639	C2		30
Wonosobo, Kab.	2.594686	C2		31
Kepulauan Sula, Kab.	2.611363	C1	Lagged	32
Tual, Kota	2.615568	C1		33
Kebumen, Kab.	2.631027	C3		34
Boalemo, Kab.	2.67389	C1	Lagged	35
Blora, Kab.	2.682137	C2		36
Tegal, Kab.	2.708926	C3		37
Jeneponto, Kab.	2.761357	C2	Lagged	38
Flores Timur, Kab.	2.765565	C1	Lagged	39
Lombok Tengah, Kab.	2.777667	C2	Lagged	40
Sumba Barat, Kab.	2.782278	C1		41
Lombok Timur, Kab.	2.812626	C3	Lagged	42
Maluku Tenggara Barat, Kab.	2.818448	C1	Lagged	43
Maluku Barat Daya, Kab.	2.832395	C1	Border, Lagged	44
Jayawijaya, Kab.	2.844536	C1	Lagged	45
Pemalang, Kab.	2.854228	C3		46
Pamekasan, Kab.	2.855179	C2		47
Rote Ndao, Kab.	2.914474	C1	Border, Lagged	48
Ngada, Kab.	2.926057	C1	Lagged	49
Sikka, Kab.	2.942828	C1	Lagged	50
Demak, Kab.	2.948808	C3		51
Gowa, Kab.	3.000979	C2		52
Buton, Kab.	3.016217	C1	Lagged	53
Pacitan, Kab.	3.036326	C2		54
Lombok Barat, Kab.	3.050369	C2	Lagged	55
Wakatobi, Kab.	3.083012	C1	Lagged	56

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Purbalingga, Kab.	3.111435	C2		57
Tidore Kepulauan, Kab.	3.117776	C1		58
Banyumas, Kab.	3.133052	C3		59
Dogiyai, Kab.	3.174531	C1	Lagged	60
Tebo, Kab.	3.176631	C1		61
Ende, Kab.	3.176714	C1	Lagged	62
Bengkulu Utara, Kab.	3.225652	C1		63
Asmat, Kab.	3.277108	C1	Lagged	64
Nias Barat, Kab.	3.283663	C1	Lagged	65
Simeulue, Kab.	3.292292	C1	Lagged	66
Brebes, Kab.	3.309766	C3		67
Bima, Kota	3.314517	C1	Lagged	68
Wonogiri, Kab.	3.360589	C2		69
Lombok Utara, Kab.	3.367528	C1	Lagged	70
Toraja Utara, Kab.	3.38304	C1	Lagged	71
Tasikmalaya, Kab.	3.386213	C3		72
Ternate, Kota	3.390838	C1		73
Padang Lawas, Kab.	3.421852	C1		74
Banjarnegara, Kab.	3.454784	C2		75
Sampang, Kab.	3.454821	C2		76
Batang, Kab.	3.47554	C2		77
Gorontalo, Kota	3.503243	C1		78
Temanggung, Kab.	3.514682	C2		79
Takalar, Kab.	3.568719	C1		80
Magelang, Kab.	3.586238	C3		81
Lebak, Kab.	3.587867	C3		82
Way Kanan, Kab.	3.599469	C2	Lagged	83
Padang Lawas Utara, Kab.	3.628975	C1		84
Aceh Jaya, Kab.	3.64327	C1	Lagged	85

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Bima, Kab.	3.685878	C2		86
Merangin, Kab.	3.710596	C2		87
Lampung Barat, Kab.	3.711009	C2	Lagged	88
Muaro Jambi, Kab.	3.742992	C2		89
Mukomuko, Kab.	3.772693	C1	Lagged	90
Sukabumi, Kab.	3.784153	C4		91
Sragen, Kab.	3.784881	C2		92
Depok, Kota	3.811194	C3		93
Maros, Kab.	3.827527	C2		94
Sekadau, Kab.	3.837571	C1	Lagged	95
Tojo Una-Una, Kab.	3.841081	C1		96
Mappi, Kab.	3.845024	C1	Lagged	97
Pringsewu, Kab.	3.882244	C2		98
Polewali Mandar, Kab.	3.894226	C2	Lagged	99
Pandeglang, Kab.	3.907407	C3		100
Cianjur, Kab	3.949795	C4		101
Tapanuli Tengah, Kab.	3.971825	C2	Lagged	102
Rembang, Kab.	3.986811	C2		103
Konawe, Kab.	3.988337	C1	Lagged	104
Pekalongan, Kab.	3.993899	C2		105
Subulussalam, Kota	3.998553	C1		106
Majalengka, Kab.	3.999372	C3		107
Pati, Kab.	4.017903	C3		108
Metro, Kota	4.03073	C1		109
Ogan Komering Ulu Timur, Kab.	4.035964	C2		110
Ngawi, Kab.	4.036437	C2		111
Nias Utara, Kab.	4.056935	C1	Lagged	112
Bengkulu Tengah, Kab.	4.094266	C1	Lagged	113
Nias, Kab.	4.11129	C1	Lagged	114

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Ponorogo, Kab.	4.117144	C2		115
Cirebon, Kab.	4.144501	C4		116
Enrekang, Kab.	4.167885	C1		117
Pegunungan Bintang, Kab.	4.174738	C1	Border, Lagged	118
Pakpak Bharat, Kab.	4.179583	C1	Lagged	119
Bengkulu Selatan, Kab.	4.181542	C1		120
Pohuwato, Kab.	4.203932	C1	Lagged	121
Ogan Komering Ulu Selatan, Kab.	4.207772	C2	Lagged	122
Majene, Kab.	4.269825	C1	Lagged	123
Aceh Tenggara, Kab.	4.285862	C1		124
Klaten, Kab.	4.339339	C3		125
Hulu Sungai Utara, Kab.	4.343219	C1	Lagged	126
Nias Selatan, Kab.	4.370003	C1	Lagged	127
Pesawaran, Kab.	4.371511	C2	Lagged	128
Bungo, Kab.	4.439854	C1		129
Banjar, Kota	4.448299	C1		130
Bondowoso, Kab.	4.495695	C2		131
Dompu, Kab.	4.499383	C1	Lagged	132
Empat Lawang, Kab.	4.516238	C1	Lagged	133
Purworejo, Kab.	4.527928	C2		134
Yapen Waropen, Kab.	4.529702	C1		135
Bantul, Kab.	4.530075	C2		136
Banggai Kepulauan, Kab.	4.542355	C1	Lagged	137
Mamasa, Kab.	4.579434	C1	Lagged	138
Kotamobagu, Kota	4.59469	C1		139
Sumbawa, Kab.	4.640993	C2		140
Bulukumba, Kab.	4.644511	C2		141
Barru, Kab.	4.679872	C1		142
Solok Selatan, Kab.	4.699089	C1	Lagged	143

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Hulu Sungai Tengah, Kab.	4.699663	C1		144
Bone, Kab.	4.707148	C2		145
Kayong Utara, Kab.	4.713468	C1	Lagged	146
Tulang Bawang Barat, Kab.	4.716767	C1		147
Lampung Timur, Kab.	4.728644	C3		148
Kulon Progo, Kab.	4.742111	C2		149
Bojolali, Kab.	4.762646	C2		150
Ogan Komering Ilir, Kab.	4.781086	C2	Lagged	151
Garut, Kab.	4.792428	C4		152
Trenggalek, Kab.	4.80919	C2		153
Karang Asem, Kab.	4.828612	C2		154
Aceh Singkil, Kab.	4.839029	C1	Lagged	155
Banjar Baru, Kota	4.873741	C1		156
Madiun, Kab.	4.905501	C2		157
Sorong Selatan, Kab.	4.927184	C1	Lagged	158
Sinjai, Kab.	4.972626	C1		159
Bolaang Mongondow Selatan, Kab.	4.973426	C1		160
Pidie Jaya, Kab.	4.988596	C1	Lagged	161
Pagar Alam, Kota	5.02231	C1		162
Padang Sidempuan, Kab.	5.054233	C1		163
Gunung Kidul, Kab.	5.071934	C2		164
Pesisir Selatan, Kab.	5.113134	C2	Lagged	165
Ciamis, Kab.	5.124259	C3		166
Kep. Siau Tagulandang Biaro, Kab.	5.195423	C1		167
Bogor, Kota	5.202218	C3		168
Aceh Tamiang, Kab.	5.21414	C1		169
Buol, Kab.	5.219581	C1	Lagged	170
Batanghari, Kab.	5.223294	C1		171
Serang, Kota	5.240069	C2		172

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Jember, Kab.	5.252609	C4		173
Mandailing Natal, Kab.	5.252945	C2		174
Subang, Kab.	5.257024	C3		175
Sarolangun, Kab.	5.279105	C1		176
Serang, Kab.	5.293343	C3		177
Sumedang, Kab.	5.296082	C3		178
Kepulauan Talaud, Kab.	5.307987	C1	Border, Lagged	179
Hulu Sungai Selatan, Kab.	5.308449	C1		180
Sumenep, Kab.	5.314711	C3		181
Lebong, Kab.	5.358707	C1	Lagged	182
Kediri, Kab.	5.360417	C3		183
Luwu, Kab.	5.394657	C2		184
Aceh Barat Daya, Kab.	5.3972	C1	Lagged	185
Blitar, Kab.	5.407473	C3		186
Belu, Kab.	5.499098	C1	Border, Lagged	187
Nganjuk, Kab.	5.499202	C3		188
Bandung Barat, Kab.	5.502835	C3		189
Ambon, Kota	5.511434	C2		190
Gayo Lues, Kab.	5.536984	C1	Lagged	191
Salatiga, Kota	5.54295	C1		192
Lampung Tengah, Kab.	5.543273	C3		193
Tegal, Kota	5.553608	C1		194
Jombang, Kab.	5.573094	C3		195
Magetan, Kab.	5.575147	C2		196
Bengkayang, Kab.	5.584813	C1	Border, Lagged	197
Lamongan, Kab.	5.601771	C3		198
Pasaman, Kab.	5.640808	C1		199
Mataram, Kota	5.70226	C2		200
Situbondo, Kab.	5.728823	C2		201

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Bolaang Mongondow Utara, Kab.	5.770748	C1		202
Buleleng, Kab.	5.820653	C2		203
Lubuk Linggau, Kota	5.82209	C1		204
Tulang Bawang, Kab.	5.8773	C2		205
Mamuju Utara, Kab.	5.916469	C1	Lagged	206
Sleman, Kab.	6.006268	C3		207
Tapinuli Utara, Kab.	6.020914	C1		208
Lampung Utara, Kab.	6.039137	C2	Lagged	209
Waropen, Kab.	6.065123	C1	Lagged	210
Langsa, Kota	6.07249	C1		211
Humbang Hasundutan, Kab.	6.106806	C1		212
Tabanan, Kab.	6.162686	C2		213
Sidenreng Rappang, Kab.	6.168525	C1		214
Sambas, Kab.	6.173104	C2	Border, Lagged	215
Kepulauan Sangihe, Kab.	6.177077	C1	Border, Lagged	216
Dharmas Raya, Kab.	6.225659	C1	Lagged	217
Sukoharjo, Kab.	6.243622	C2		218
Kendal, Kab.	6.279108	C2		219
Kepahiang, Kab.	6.280899	C1	Lagged	220
Pare-Pare, Kota	6.284426	C1		221
Tapin, Kab.	6.292467	C1		222
Pasuruan, Kota	6.303088	C1		223
Malang, Kab.	6.320454	C4		224
Bener Meriah, Kab.	6.322814	C1	Lagged	225
Tasikmalaya, Kota	6.370027	C2		226
Bolaang Mongondow Timur, Kab.	6.433635	C1		227
Pulang Pisau, Kab.	6.463986	C1		228
Probolinggo, Kab.	6.473816	C3		229
Solok, Kab.	6.529871	C2	Lagged	230

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Aceh Selatan, Kab.	6.534276	C1	Lagged	231
Palopo, Kota	6.557976	C1		232
Donggala, Kab.	6.568675	C1	Lagged	233
Banyuasin, Kab.	6.602175	C2	Lagged	234
Lumajang, Kab.	6.679001	C3		235
Tangerang, Kab.	6.679762	C4		236
Sanggau, Kab.	6.687283	C2	Border, Lagged	237
Bekasi, Kota	6.827782	C4		238
Singkawang, Kota	6.846819	C1		239
Kapuas, Kab.	6.852063	C2	Border, Lagged	240
Banjar, Kab.	6.853555	C2		241
Ketapang, Kab.	6.873516	C2	Lagged	242
Sawahlunto Sijunjung, Kab.	6.87546	C1	Lagged	243
Aceh Tengah, Kab.	6.912279	C1		244
Mesuji, Kab.	6.934092	C1		245
Jembrana, Kab.	6.948269	C1		246
Bireuen, Kab.	6.955931	C2		247
Bogor, Kab.	6.971402	C4		248
Karanganyar, Kab.	6.984898	C2		249
Barito Timur, Kab.	6.99269	C1		250
Wajo, Kab.	7.005041	C2		251
Manokwari, Kab.	7.034973	C1		252
Bandung, Kab.	7.03557	C4		253
Tapanuli Selatan, Kab.	7.041188	C1		254
Nagan Raya, Kab.	7.050196	C1	Lagged	255
Nabire, Kab.	7.051019	C1	Lagged	256
Biak Numfor, Kab.	7.091299	C1	Lagged	257
Banggai, Kab.	7.095216	C2	Lagged	258
Minahasa Selatan, Kab.	7.111035	C1		259

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Agam, Kab.	7.117864	C2		260
Buton Utara, Kab.	7.125585	C1	Lagged	261
Kupang, Kota	7.132069	C2		262
Simalungun, Kab.	7.133596	C2		263
Minahasa, Kab.	7.144961	C1		264
Bengkulu, Kota	7.147579	C2		265
Kepulauan Mentawai, Kab.	7.166656	C1	Lagged	266
Gunung Sitoli, Kota	7.186006	C1		267
Musi Rawas, Kab.	7.218363	C2	Lagged	268
Aceh Besar, Kab.	7.233663	C2	Lagged	269
Gunung Mas, Kab.	7.243713	C1		270
Bojonegoro, Kab.	7.287972	C3		271
Kendari, Kota	7.29294	C1		272
Palangkaraya, Kota	7.298075	C1		273
Barito Kuala, Kab.	7.301169	C1	Lagged	274
Teluk Wondama, Kab.	7.355003	C1	Lagged	275
Seruyan, Kab.	7.364098	C1	Lagged	276
Lingga, Kab.	7.365385	C1		277
Aceh Barat, Kab.	7.423179	C1	Lagged	278
Rejang Lebong, Kab.	7.451837	C1		279
Konawe Utara, Kab.	7.468872	C1	Lagged	280
Denpasar, Kota	7.518784	C2		281
Banyuwangi, Kab.	7.522666	C3		282
Tomohon, Kota	7.553554	C1		283
Minahasa Utara, Kab.	7.557038	C1		284
Gianyar, Kab.	7.574755	C2		285
Mamberamo Raya, Kab.	7.580518	C1	Lagged	286
Pinrang, Kab.	7.635627	C2		287
Parigi Moutong, Kab.	7.664035	C2	Lagged	288

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Pasaman Barat, Kab.	7.676532	C2	Lagged	289
Lahat, Kab.	7.700529	C2	Lagged	290
Bandar Lampung, Kota	7.705054	C2		291
Padang Pariaman, Kab.	7.712584	C2	Lagged	292
Pekalongan, Kota	7.722211	C1		293
Keerom, Kab.	7.77143	C1	Border, Lagged	294
Langkat, Kab.	7.786403	C3		295
Payakumbuh, Kota	7.797976	C1		296
Aceh Utara, Kab.	7.818532	C2		297
Blitar, Kota	7.874629	C1		298
Dairi, Kab.	7.919196	C1		299
Tanah Laut, Kab.	7.961212	C1		300
Batu, Kota	8.025341	C1		301
Klungkung, Kab.	8.040076	C1		302
Tuban, Kab.	8.043629	C3		303
Supiori, Kab.	8.055522	C1	Border, Lagged	304
Serdang Bedagai, Kab.	8.056861	C2	Border	305
Labuhan Batu, Kab.	8.08231	C2		306
Tanah Datar, Kab.	8.11605	C2		307
Mojokerto, Kab.	8.138322	C3		308
Barito Selatan, Kab.	8.174205	C1		309
Sabang, Kota	8.201443	C1	Border	310
Banjarmasin, Kota	8.240935	C2		311
Deli Serdang, Kab.	8.34099	C3		312
Bangka Tengah, Kab.	8.347627	C1		313
Tulungagung, Kab.	8.36793	C3		314
Asahan, Kab.	8.374586	C2		315
Sorong, Kota	8.427207	C1		316
Limapuluh Kota, Kab.	8.549511	C2		317

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Tanjung Jabung Barat, Kab.	8.552092	C1		318
Jayapura, Kab.	8.609454	C1		319
Palu, Kota	8.768537	C2		320
Purwakarta, Kab.	8.83392	C2		321
Prabumulih, Kota	8.84861	C1		322
Pangkajene Kepulauan, Kab.	8.866408	C1	Lagged	323
Boven Digoel, Kab	8.997707	C1	Border, Lagged	324
Kaimana, Kab.	9.071432	C1	Lagged	325
Pematang Siantar, Kab.	9.082705	C1		326
Katingan, Kab.	9.085898	C1		327
Indramayu, Kab.	9.10371	C3		328
Ogan Komering Ulu, Kab.	9.126551	C2		329
Solok, Kota	9.182977	C1		330
Barito Utara, Kab.	9.222017	C1		331
Samosir, Kab.	9.283858	C1		332
Tanjung Balai, Kota	9.287118	C1		333
Padang Panjang, Kota	9.309741	C1		334
Pariaman, Kota	9.509611	C1		335
Sawahlunto, Kota	9.536242	C1		336
Bukittinggi, Kota	9.598079	C1		337
Lamandau, Kab.	9.603223	C1		338
Probolinggo, Kota	9.790234	C1		339
Magelang, Kota	9.823786	C1		340
Morowali, Kab.	9.917691	C1	Lagged	341
Tanah Karo, Kab.	9.959127	C2		342
Bulungan, Kab.	9.982508	C1		343
Labuhan Batu Utara, Kab.	9.995924	C2		344
Murung Raya, Kab.	10.11113	C1		345
Fak-Fak, Kab.	10.14796	C1		346

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Kolaka, Kab.	10.15074	C2		347
Nunukan, Kab.	10.25077	C1	Border, Lagged	348
Kubu Raya, Kab.	10.27573	C2		349
Toba Samosir, Kab.	10.6015	C1		350
Indragiri Hilir, Kab.	10.67938	C2		351
Pelalawan, Kab.	10.68371	C2		352
Surakarta, Kota	10.76198	C2		353
Mojokerto, Kota	10.78425	C1		354
Karawang, Kab.	11.06281	C4		355
Kuantan Singingi, Kab.	11.33828	C1		356
Raja Ampat, Kab.	11.65374	C1	Border, Lagged	357
Tana Tidung, Kab.	12.05474	C1		358
Indragiri Hulu, Kab.	12.1858	C2		359
Muara Enim, Kab.	12.24136	C2		360
Tanah Bumbu, Kab.	12.26622	C1		361
Pontianak, Kota	12.35972	C2		362
Tanjung Jabung Timur, Kab.	12.37128	C1		363
Bitung, Kota	12.38418	C1		364
Cimahi, Kota	12.39901	C2		365
Madiun, Kota	13.17307	C1		366
Sukamara, Kab.	13.53032	C1		367
Kampar, Kab.	13.68099	C2		368
Sidoarjo, Kab.	14.10105	C4		369
Banda Aceh, Kota	14.12078	C1		370
Tanjung Pinang, Kota	14.16432	C1		371
Bandung, Kota	14.18738	C4		372
Jayapura, Kota	14.25092	C1	Border	373
Semarang, Kota	14.31286	C3		374
Tarakan, Kota	14.6827	C1		375

Districts	GDP per capita	Development cluster	Development status ²²	Income rank
Yogyakarta, Kota	14.81906	C2		376
Cilacap, Kab.	14.92013	C3		377
Padang, Kota	15.04421	C2		378
Manado, Kota	15.06139	C2		379
Kudus, Kab.	16.69131	C2		380
Tangerang, Kota	16.92028	C3		381
Samarinda, Kota	17.67291	C2		382
Kota Baru, Kab.	17.67323	C1		383
Malang, Kota	18.15163	C2		384
Luwu Timur, Kab.	18.48443	C1		385
Cirebon, Kota	18.77806	C1		386
Batu Bara, Kab.	20.32887	C2		387
Musi Banyuasin, Kab.	20.69342	C2		388
Kutai Barat, Kab.	20.96399	C1	Border, Lagged	389
Natuna, Kab.	21.34019	C1	Border, Lagged	390
Lhokseumawe, Kota	22.98162	C1		391
Pasir, Kab.	26.43452	C1		392
Berau, Kab.	26.70798	C1		393
Sorong, Kab.	27.01865	C1	Lagged	394
Batam, Kota	30.11738	C3	Border	395
Surabaya, Kota	33.87356	C4		396
Sumbawa Barat, Kab.	34.07065	C1	Lagged	397
Siak, Kab.	34.8168	C2		398
Mimika, Kab.	44.22614	C1	Lagged	399
Cilegon, Kota	47.4815	C2		400
Bengkalis, Kab.	60.36169	C2	Border	401
Kutai Timur, Kab.	70.23581	C1		402
Bontang, Kota	141.7513	C1		403